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SITUATION IN PANAMA

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BEFORE THE

SUBCOMMITTEE ON
WESTERN HEMISPHERE AFFAIRS

OF THE

COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

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SITUATION IN PANAMA

MONDAY, MARCH 10, 1986

U.S. SENATE,
SUBCOMMITTEE ON WESTERN HEMISPHERE AFFAIRS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met at 2:09 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the subcommittee) presiding.

Present: Senator Helms.

Senator HELMS. The subcommittee will come to order.

Today, the Subcommittee on Western Hemisphere Affairs begins a series of hearings on the situation in Panama.

It has been several years since the Committee on Foreign Relations has had the opportunity to discuss this very important country, which long has had such a special relationship with the United States.

In recent years, our attention has been focused on other areas in the region, especially on the struggle for freedom in Nicaragua. Nevertheless, the historic partnership with Panama has always been very important to the people of the United States. The friendly contribution of the American people to Panama's development through the construction and operation of the Panama Canal still remains unmatched in any other country of the world. At times, no doubt, the sheer size of the United States has tended to overwhelm Panama, and Panamanians have sometimes chaffed at the relationship, perhaps feeling that they have too much of a good thing.

Nevertheless, for better or for worse, the United States and Panama are closely associated by treaty until the end of this century, and I know of no American who is not eager for that close association and friendship to continue for the next century.

And in Panama itself we recognize a basic reserve of good will and deep friendship. Many Panamanian families have intermarried with ours, have sent their sons and daughters to the United States for education, have joined in business ventures with Americans for decades in the canal operations. Members of the Panamanian Defense Forces have trained with our military personnel, have gone to our military schools, have served with the Inter-American Defense Board, and have worked to coordinate the defense of the canal.

The positive interests of the United States and of Panama are inextricably intertwined to the benefit of both countries. We want to do everything to see that those benefits continue for everybody.

Yet, recent news from Panama has been very disquieting. When the commitment to turn the Panama Canal over to Panama was made in the 1976 treaties, there were many of us in this country who felt that Panama physically was too small a country to bear the burden of responsibility for a strategic waterway coveted by the major military and economic powers of the world.

We lost that argument. But there was an implicit agreement in the treaties that the United States would work to encourage stability and development to Panama during the transition period so that Panama would be as strong as possible in the year 2000.

So far, Panama has not achieved either political stability or economic development. Despite the many millions of dollars which the treaties have brought to Panama, the republic faces an economic crisis. Unemployment has reached catastrophic proportions, and its political structure has almost ceased to operate effectively.

In the past 45 months, Panama has had five Presidents, three of whom were removed by pressure from elements in the military. The brutal murder of Dr. Hugo Spadafora last September has not been solved. Panama's free press, with traditions stretching back to the founding of the republic, feels increasing pressure and intimidation.

These international events are destabilizing Panamanian society. Panama's future internal security depends upon opening up economic opportunity to all levels of the Panamanian social structure. The promise of free enterprise will be an illusion unless the campesino, the worker, the tradesman, and the small businessman have the chance to participate in Panama's economic life.

No economy can flourish when motivation is destroyed by government regulations and by delays in granting permits, redistribution schemes, corruption, and special privileges for cronies and relatives of the rich and the powerful.

Moreover, powerful outside forces threaten Panama's freedom, independence, and democracy. The longstanding relationship of some elements in the military with the totalitarian Communist Government of Cuba is a cause for concern. The special privileges granted to the supranational banking institutions, which respect the national interest of no nation, have distorted the Panamanian economy and Panama's relationship with other nations.

Finally, the growing concentration of the North American drug traffic in Panama's transportation facilities threatens to create forces more powerful than any legitimate power in Panama.

The brutality of the murder of Dr. Spadafora, an insistent critic of powerful elements in Panama, is without precedent. It has served as a catalyst for action to many, inside of Panama and without, who believe that it marks the end of Panama's independence and signifies the hidden takeover of the country by illegitimate and antidemocratic forces.

We have called these hearings, therefore, to probe the truth of the assertion and to do what we properly can to help Panamanians recover their dignity, their freedom, and their stability.

Recent events in the Philippines illustrate graphically the instability that results for a society that is not open and dynamic. I might add also that the situation in Mexico is a grave security risk to the United States.

Within the next 4 to 6 weeks, this subcommittee will examine the corruption and power structure of Mexico in the context of assisting reform.

But with regard to Panama, the subcommittee today begins to inquire into the problem of restoring stability and we will continue in late March or early April with administration witnesses. Assistant Secretary of State Elliott Abrams has graciously agreed to appear at that time, and witnesses from the Bureau of Human Rights and Humanitarian Affairs and from the Drug Enforcement Administration also will be included.

Today we have made an effort to secure a broad spectrum of witnesses, each of whom has a different kind of expertise in Panamanian affairs. We have had to make some changes in the panel that was announced earlier. Col. Richard Lawrence, USAF (retired), is unable to be here this afternoon because of a family emergency. He has graciously agreed to return at a later date. Mrs. Adelaide Eisenmann, Director of the Panamanian Human Rights Commission, and approved earlier as a witness, will appear in place of Mrs. Laura Spadafora Justice. Mrs. Justice and her brother, Mr. Winston Spadafora, are with us in the audience.

The rest of the distinguished panel includes the Honorable Ambler Moss, former U.S. Ambassador to Panama; the Honorable Norman Bailey, former Special Assistant to the President for National Security Affairs; and Dr. Richard Millett, of the University of Southern Illinois.

Suppose we begin to my left and your right, with Mrs. Eisenmann, and have statements from each of you, following which we will have questions.

We welcome you all and we appreciate so much your coming.

If you would pull the microphone a little closer, we will hear you better.

STATEMENT OF ADELAIDE EISENMANN, REPRESENTATIVE, PANAMANIAN COMMITTEE FOR HUMAN RIGHTS, WASHINGTON, DC, ACCOMPANIED BY I. ROBERTO EISENMANN, JR., PRESIDENT AND EDITOR, LA PRENSA

Ms. **EISENMANN**. Thank you, Mr. Chairman. I can do that.

I am Adelaide Eisenmann. For the past 9 years, I have been the Washington representative of the Panamanian Committee for Human Rights, a registered lobbyist.

Today, I am appearing, as you mentioned, to read the statement of Laura Spadafora Justice.

My name is Laura Spadafora Justice. I am the sister of Dr. Hugo Spadafora, who was recently brutally tortured, decapitated, and murdered in Panama.

Twenty-five years ago, I married an American. I have been living in Los Angeles since then. Although I live in this country, I continue to travel to Panama and I maintain close contact with my family in Panama.

Accompanying me are my two advisers—my brother, Winston Spadafora, a lawyer in Panama and a spokesman for the Spadafora family; and Mr. Roberto Eisenmann, himself a victim of human rights abuses. Several years ago, Mr. Eisenmann was violently arrested and exiled by the Panamanian regime for 3 years. He is now the editor and publisher of La Prensa, Panama's only significant, independent newspaper.

The struggle of this courageous newspaper and the many attacks by the dictatorship are here fully documented.

May I ask you, Mr. Chairman, that this record "The Struggle of an Independent Newspaper," be included in the record.

Senator HELMS. It will be included.

Ms. EISENMANN. Thank you.

[The information referred to appears in the appendix.]

Ms. EISENMANN. Mr. Chairman, it is the opinion of a large sector of Panamanian society that Panama is the Philippines of tomorrow for the Western Hemisphere. There are many significant parallels, as you mentioned before.

Panama has an 18-year-old corrupt and brutal military dictatorship, which now is totally exhausted. Panama's dictatorship has received almost the highest per capita United States aid support in the world. There is also visible multimillion-dollar ostentation by the officers of the military and their cronies, who travel to Paris and Switzerland on almost a weekly basis.

There was a grossly fraudulent U.S.-inspired election, in which the loser was declared the winner. This, too, is amply documented in this volume [indicating], "The Anatomy of a Fraud," [1] which I guess would be too large to insert in the record, but I think you would like to know that there are copies, many copies, now available in Washington.

There is another clear analogy to the Philippines, and that is that due to the importance of United States military bases in Panama, there is a zigzagging of United States policy with regard to the democratic movement in Panama. And, most important of all, there have been gross violations of human rights abuses, including assassinations, disappearances, forced expatriations, arbitrary arrest, culminating with the gross and grotesque arrest, decapitation and murder of my brother, Dr. Hugo Spadafora, after he publicly accused Gen. Manuel Noriega, commander of the Panamanian Defense Forces, of being the drug kingpin of the region.

These human rights violations were documented in the Panamanian Committee for Human Rights 1985 report to the State Department. I would appreciate also if this short statement could be entered into the record.

Senator HELMS. Without objection.

[The information referred to appears in the appendix.]

Ms. EISENMANN. The major differences with the Philippine situation is that Panama does not yet have a violent insurgency movement and the fact that the Panama military governs through a figurehead civilian President, who is assigned and resigned at will.

A United States newsman has correctly labeled Panama's presidents as "kleenex presidents," to be used and then thrown away. The military has imposed five Presidents in the last 45 months. The last President, Dr. Nicolas Ardito Barletta, was forced to resign when he made it known that he intended to name an independent commission to investigate the murder of my brother.

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[1] An abstract of "The Anatomy of a Fraud" appears in the appendix.

Mr. Chairman, there are storm clouds over the Panamanian horizon, reflected in recent reports and editorials in major newspapers of the United States. The Panamanian Defense Forces function more like a gang of thugs than a military institution. Corruption is rampant. The economy is in its fourth year of stagnation, with extreme social pressures being felt. Thirty-eight percent of the population is below the poverty line. Unemployment is pegged at 20 percent, with explosive pockets at over 25 percent.

Panama's foreign debt is close to $5 billion, which is one of the highest per capita in the region.

Frustration is reaching the boiling point. People are no longer prepared to accept the fraudulent elections and human rights abuses. The people are now demanding an independent investigation into the murder of my brother, and they will no longer stand for arbitrary arrests, the most recent case being that of Guillermo Sanchez Borbon, La Prensa's associate editor.

The Panamanian people are pleased to see recent nominal indications of distancing of the U.S. Government from the military dictatorship. But this is not enough. In order for the democratic forces of Panama to have an opportunity to participate in the political process, the United States Government should eliminate all military aid and other aid being siphoned to the corrupt military.

The United States, as the principal drug consumer, has moral obligations to make public any information it has regarding the connection between drug trafficking and certain officials of the Panamanian Defense Forces, as well as the relationship between certain military officials and the arms trafficking throughout the hemisphere.

The United States must make it clear that the promotion of legitimate democracy and the respect for human rights of the people of Panama is the policy of the people of the United States and their Government.

Furthermore, the military regime is a threat to the security of the Panama Canal. The irresponsibility of military commanders could lead them from their current position of blackmail to a position of terrorism and sabotage of the canal. The continuation of a military government in Panama will produce the same effect as in other countries—civil war, terrorism, sabotage, or general violence. When this happens, the canal will become the most sought-after target, and the publicity which follows will make violence inevitable.

Due to the fact that the military regime refused to name an independent commission to investigate the murder of our brother, and due to the complicity of the investigative and judicial authorities in the coverup of the investigation of my brother, Hugo, the Spadafora family has begun and will continue to carry out civic and nonviolent activities. These activities are being supported by the Panamanian people and will not stop until justice has been done for the murder of Hugo.

Other relatives and friends who have experienced the tragedy of members of their family being assassinated or disappeared by the

Panamanian military have joined our civic and nonviolent campaign to seek justice for all.

Thank you very much.

Senator HELMS. Thank you very much, Ms. Eisenmann.

Ambassador Moss, I might comment that I saw our mutual friend in Raleigh not long ago, and he inquired about you. I had to tell him that I had not seen you. Now I shall tell him that I did see you.

You may proceed with your statement.

STATEMENT OF HON. AMBLER H. MOSS, JR., FORMER AMBASSADOR TO PANAMA, AND DEAN, GRADUATE SCHOOL OF INTERNATIONAL STUDIES, UNIVERSITY OF MIAMI, CORAL GABLES, FL

Ambassador MOSS. Thank you, sir.

Mr. Chairman, my name is Ambler Moss. I am Dean of the Graduate School of International Studies of the University of Miami and a former U.S. Ambassador to Panama.

Mr. Chairman, as you have recalled, only 8 years ago, the United States Senate was locked in its long and thorough deliberations of the Panama Canal Treaties and that debate was to take up more of the Senate's calendar than any other treaty consideration since the Treaty of Versailles after World War I.

On one issue of the treaty debate there was no disagreement between treaty supporters and treaty opponents—Panama and the canal were extremely important to United States interests, security interests, and commercial interests, and the only difference between the opponents and the supporters of the treaties was what was the best way to protect those interests.

I think, Mr. Chairman, another thing is clear, that the protection of all of the long list of United States interests in Panama and in its canal is completely dependent upon the internal political and economic environment of the country of Panama.

Since those times, I believe the United States policy under both administrations has achieved many successes in Panama, but these hearings today were scheduled out of a genuine concern over Panama's economic and political health, and that is a concern shared by the most qualified observers of both of our political parties and erstwhile treaty supporters and opponents alike.

There are several proximate causes of that concern. The tragic death of Dr. Hugo Spadafora is one. The ouster of President Nicolas Ardito Barletta, the first elected President after 16 years of military and quasi-military rule, was seen by virtually every observer in this country, in Government, the media, academia, and business, as a lamentable event.

What do these events mean and what are their implications for U.S. policy?

I believe, sir, the answer lies in both economics and politics. Let me begin with a consideration of the economic problems.

Former President Barletta described his country's problems in vivid terms to the Southern Governors' Conference in Miami, last September, 2 weeks before he was overthrown. Latin American countries, he said, were meeting their debt obligations to the banks of the developed countries to the almost total sacrifice of their own economic development, and the resulting zero or negative growth and the declining living standards were, said Barletta, an immediate danger to internal stability and to the survival of new democracy in countries where the military had recently yielded to civilian government.

His words were prophetic. In a sense, his government was the first victim in our time of the debt crisis. How many more will follow?

Today, Panama's economy is failing in many respects. It has a $3.7 billion foreign debt. The growth rate this year, according to predictions, will be around zero or worse. Most importantly, the danger that I see, Mr. Chairman, is that the new generation, the young people, who are nearly 100 percent literate, stream onto the job market at the rate of over 40,000 young people per year, of which 20,000 are high school graduates. Yet I doubt that the creation of new jobs of all types in the country reaches 10,000 annually. The result is a social time bomb, waiting to go off.

Our adversaries in the world, the Soviet Union and its allies, know opportunity when they see it. Scholarships to Lumumba University and related institutions have risen to 14,100 this year for Latin America overall, nearly double the 1983 figure.

Of these, I would estimate that at least 1,000 young Panamanians are studying in Communist countries at any given moment.

Nearly 3 years ago, the writers of the "Miami Report," which was published by my school, predicted that the solutions to the debt problem being put into place by the IMF, private banks, and the Latin American governments themselves would result in a continuously sick continent at the United States doorstep, and Panama is a good example of what the report anticipated.

The present government, headed by President Eric Arturo Delvalle, does appear to be committed to reactivation of the private sector and to the attraction of private foreign investment. Indeed, Panama could become a very successful economy by the proper application of a private sector strategy and a Caribbean Basin Initiative.

But in all my recent conversations, particularly with American businessmen and bankers, expert in Panamanian affairs, the words "confidence" and "credibility" arise frequently when the investment climate is discussed. Clearly these words refer back to the country's politics.

Between 1982 and 1985, three Presidents were deposed by the military—Aristides Royo, Ricardo de la Espriella, and Nicolas Ardito Barletta. All three were able, decent, well-intentioned leaders, attempting, with varying degrees of success, to deal with their country's problems.

Certainly, promoting political evolution in Panama toward a stable democracy has been an important goal of both the Carter and Reagan administrations.

Constitutional reforms were enacted after the Senate debates, which provided for direct popular election of the President and Vice Presidents in 1984. The elections were held, and, although the losing coalition charged fraud in favor of Barletta, who, they charged, had been the handpicked candidate of the military.

Yet Barletta's subsequent deposition met with an angry reaction from the U.S. Government and press. In a strongly worded editorial on October 3 of last year, the New York Times said, "Strike Panama from the list of restored Latin American democracies the United States has been celebrating."

Such statements from the U.S. press, from members of the executive branch, and from numerous legislators indicate an unusual degree of consensus in this country for any issue involving Latin America. The question is what can U.S. policy accomplish or what should it try to accomplish?

The answers to Panama's economic and political problems of course must first come from its own citizens. We cannot plan solutions for them. Washington cannot prescribe such solutions.

Nonetheless, I do believe that United States policy choices obviously can help or hinder the ability of Panama to become what most of its citizens want it to be—a free, stable, independent, democratic society, one that continuously raises the economic and social standards of its people and respects their human rights.

Panama, of course, is a major victim of the debt crisis which affects all of Latin America. Might I say that since 1982, capital has been flowing in the wrong direction in our hemisphere, from the less developed south to the developed north, mainly to the United States.

One Miami economist estimates last year's net capital flow out of Latin America at $30 billion.

Secretary of the Treasury James Baker, in his speech in Seoul, Korea, last fall, provided the first real evidence of new thinking about the debt on the part of the administration.

Panamanian Government leaders have been among those in the hemisphere who argue that restarting their own productive sectors, their private sector, and achieving a growth rate of at least 4 to 5 percent, must take priority over debt service.

Nevertheless, Panama's record is relatively good in meeting its debt service obligations on time.

Latin American debts, essentially, though, must be restructured and not merely rescheduled. But, in return, in order to prevent the debt cycle from recurring, the IMF, World Bank, and affected countries would each continue to promote domestic economic policies which lead to increases in productivity through the private sector, improvement of the investment climate, withdrawal of the subsidies and protection of inefficient industries, and restraints on civilian and military spending.

The negative factor most often cited by foreign investors in Panama as standing in the way of those desired ends is the country's labor law, which the government is committed to change. But putting all of these measures into effect now poses the greatest political challenge to the Delvalle government.

On the U.S. side, the most useful measure we could take would be to make reduction in real interest rates a top priority. We could do other things, as well, to improve the performance of the Caribbean Basin Initiative, such as, for instance, the consideration of an investment tax credit.

United States economic assistance to Panama has increased enormously with the advent of the CBI. I believe it should continue and, despite understandable congressional and executive branch unhappiness with recent events in Panama, any temptation to use the restriction of aid as a coercive lever should be avoided. It would not likely succeed and would punish most directly the Panamanian private sector.

In the area of political evolution, this is perhaps a trickier area, in which the U.S. ability to determine the outcome is more limited. The problem of Panama is that which other Latin American countries certainly have experienced—how to build democratic institutions while curtailing the power of the military.

Panama, of course, is jealous of its sovereignty and highly sensitive to anything perceived as United States interference in its internal politics. Nevertheless, Mr. Chairman, I believe it is also true that United States policies make a difference in Panama. A strong, clear, bipartisan signal from the administration and from the Congress in favor of respect for democratic processes, free elections, freedom of expression and human rights, will not be ignored in Panama. We can back this message with support for independent and free labor unions, a free and independent press, democratic political parties and groups. Those policies could make a crucial difference in the next Presidential election.

I also am highly pleased, Mr. Chairman, that the Senate recently approved an excellent nomination, that of Arthur H. Davis, Jr., as our next Ambassador to Panama. I know him well and know of his record of accomplishments in his previous assignment.

It is important, in my opinion, that we treat the civilian government of Panama as the legitimate government for, to do so, will enhance its own prestige and effectiveness. If we adopt the attitude of the previously mentioned New York Times editorial, judging Panama to be simply a military dictatorship, we only encourage movement in that direction.

No one can pretend that the Panamanian military is not the ultimate arbiter of power. That fact is clearly incompatible with the U.S. concept of any working democracy. Yet, to the degree that civilian government remains in charge of the day-to-day tasks of government, Panama will be encouraged in the democratic direction.

The present President of Panama is able, intelligent, and from the private sector.

We must also show understanding and sympathy for Panama's independent position in world affairs. In general, I interpret this position, though, as having become much more closely aligned with that of the United States since the signing of the canal treaties.

The Panamanian military and numerous civilians have expressed concern over the Nicaraguan military buildup, and possibly as a result of that concern, Panamanian and United States forces have cooperated in military exercises in recent years to a degree unknown before the Sandinista takeover.

Yet, despite those fears, an actual United States invasion into Nicaragua could create tensions of severe proportions in Panama. Divisions within Panama over such an event would be deep and violent, polarizing the population.

To sum up, it is a sensitive and difficult task to judge how the United States can help promote stability and democracy in Panama. The starting point is the recognition that there are real problems in both the economic and political areas which merit our serious attention and our appropriate response.

This is not to say that there is an immediate crisis in Panama. But, if crisis comes, it will be extremely damaging to our interests. What is required, now and in the future, is a comprehensive, consistent, and active policy, based on strong bipartisan support. It should seek to accomplish as much as it can to promote economic development and political evolution without arousing Panamanian sensitivities concerning their own national sovereignty.

Thank you, Mr. Chairman.

[The prepared statement of Ambassador Moss appears in the appendix.]

Senator **HELMS**. Thank you, Mr. Ambassador.

At this point, if I may, let me recognize again Mrs. Eisenmann, for the purpose of presenting the sister and brother of Dr. Spadafora.

Would you do that, please.

Ms. **EISENMANN**. Would you like for me to introduce them?

Senator **HELMS**. Yes. Have them stand, if you will.

Ms. **EISENMANN**. Yes; I'll be glad to do so.

Right in back of me is Dr. Winston Spadafora, and next to him is his sister, Laura Spadafora Justice.

Senator **HELMS**. We welcome you here.

Ms. **EISENMANN**. They have come quite a distance to be here today and they have suffered very much under the dictatorship.

Senator **HELMS**. We are delighted to have you here.

Let me make inquiry of staff. We did not have a copy of Mrs. Justice's statement.

Ms. **EISENMANN**. I think one can be obtained later.

Senator **HELMS**. But I believe copies have been made. I want to be sure the reporter has one.

[Pause.]

Senator **HELMS**. Very well.

It is a very significant statement that has been made.

Thank you very much.

Ms. **EISENMANN**. You're welcome, Mr. Chairman.

Senator **HELMS**. Mr. Millett.

STATEMENT OF RICHARD L. MILLETT, DIRECTOR, LATIN AMERICAN STUDIES, SOUTHERN UNIVERSITY OF ILLINOIS

Mr. **MILLETT**. Thank you very much, Mr. Chairman.

I think that to open I should make a small correction in your printed agenda. I am not the president of Southern Illinois University. I am sure my president would want me to say that. [Laughter.]

I am simply the director of Latin American studies.

Senator **HELMS**. Well, everybody is a potential president of the U.S. Senate. [Laughter.]

You may proceed, and thank you, sir.

Mr. **MILLETT**. Few nations are as closely linked with and heavily influenced by the United States as is Panama. And yet, few nations have received as little serious analysis and study as has Panama.

We have focused on the canal, often viewing Panama as a country which, unfortunately, is attached to it and therefore merits our concern.

I think this hearing is a good time to begin correcting that record, pointing out that, indeed, we do have an interest in the internal development and changes in Panama.

The current level of concern over Panama I believe centers around four separate, but interrelated, sets of problems. First, the violent struggles in Central America have raised questions about the security of the canal, the ability of Panama to maintain internal order and stability, and the danger of Communist subversion.

Second, the forced resignation last September of President Nicolas Ardito Barletta highlighted the continued problems of the Panamanian political system. In an era in which most of the hemisphere is moving toward elected civilian governments and a reduce role for the military, Panama has become something of an anomaly, unable to make meaningful progress away from old political structures or to resolve growing tensions in civil-military relations.

Third, there are charges of official corruption involving narcotics, money laundering, arms trafficking, and other activities with international dimensions.

Finally, there have been signs of growing turmoil within Panama itself. Part of this centers around the current economic crisis and resultant labor unrest. But it also has involved such shocking events as the killing of Dr. Hugo Spadafora and the kidnapping of businessman Sam Kardonski.

My testimony will focus on the first two of these areas since these are the only areas for which I can claim any firsthand knowledge.

First of all, to understand the situation in Panama, you have to look at its history in two important dimensions

First, there are its historical ties with the United States, ties which do produce a very special relationship, ties which call for special responsibility on our part in dealing with the country. We have had as direct a role in the independence of Panama as we have played a role in any other country of Latin America, with the possible exception of Cuba. The Panama Canal, the nation's major resource, was constructed by the United States. For most of its independent history, Panama was divided by the Canal Zone, a country which found itself in the position of having its own national territory split by an area of territory under the control of another nation.

This has produced a relationship of both special closeness and dependency and also of special irritations, of special sensitivities on the part of Panamanians. Panamanians have long recognized, but also resented, and I think naturally so, this degree of dependence, the degree of arrogance and ignorance with which Americans have frequently approached their problems, assuming that we automatically have known what is best for Panama.

In dealing with Panama, this sensitivity, this closeness, this relationship of inequality and dependence, these natural resentments have to be borne in mind.

The second factor that has to be kept in mind is, of course, the influence of Gen. Omar Torrijos, the dominant figure in Panamanian history, certainly from 1968 to 1981, and one might argue the dominant figure of Panama's entire independent history. He was a remarkable individual, a man who simultaneously could charm Jimmy Carter, Fidel Castro, and Graham Greene. He renegotiated the Panama Canal Treaties, fulfilling the nationalist goal of regaining sovereignty over the Canal Zone and doing it without bloodshed. He established Panama as an international banking center, and the banks today employ more Panamanians than does the canal. He kept Panama free of any major insurgency during an era of growing turmoil in both Central America and along his other border with Colombia. And he made Panama a factor in international relations for the first time in that nation's history.

That is all a very impressive record. Unfortunately, there were also negative developments. Panama's political system deteriorated markedly under Torrijos, as elections and parties lost much of their meaning and the military's dominance of the system increased steadily.

With economic growth came new opportunities for corruption. The publicity generated by the canal treaties proved heady wine, leading to an expanded, perhaps overly ambitious, view of the role Panama could and should play in world affairs. And the magnified public image of Torrijos made it difficult for any successor to measure up, to gain the prestige or support necessary to deal with the nation's massive social and economic problems. Indeed, I think it is quite correct to say that Panama has faced a perpetual political crisis since the death of General Torrijos.

This dangerous situation was highlighted by the aborted Presidential term of Mr. Barletta.

Mr. Barletta came to office with an excellent reputation as an international banker, but with very little experience in the practical arts of politics. His lack of political skills and of an independent political base, combined with growing clashes with the military leadership and with the steady deterioration of the economy throughout his brief term in office, made his Presidency a period of continued instability and of constant predictions of imminent downfall.

Resistance to his efforts to impose austerity and reach an agreement with the International Monetary Fund and the growing controversy surrounding the Spadafora murder combined to produce a final confrontation with the Panamanian Defense Forces and President Barletta's forced resignation.

Since Vice President Eric Arturo Delvalle succeeded him, the semblance of constitutional order was maintained. But the government's credibility and prospects for any evolution toward democracy both suffered greatly.

The U.S. ability to respond to this has been extremely limited by a variety of considerations. We have, in part, been the victim of our own prior policies. By having previously overestimated the extent to which Panama had returned to democracy with the election of President Barletta, we found ourselves in a very bad position to deal with the realities which were exposed by his forced resignation.

We also found ourselves in a position with very few, good options. Indeed, it is hard to conceive of a situation where all prospects have seemed less appealing; that is, a restoration of President Barletta was clearly impossible, the installation of his officially defeated opponent in the previous election, Arnulfo Arias Madriad, was also probably impossible, and impractical as there were growing questions about Arnulfo Arias's capacity to govern. The Panamanian Defense Forces were clearly the key to power in the country.

While there was discontent with the current leadership, there was no enthusiasm for replacing it with the next in line, and certainly no willingness to create instability and division in the Panamanian Defense Forces precisely at the time we were trying to develop these forces to take over the mandated responsibilities of the security of the canal when the canal is turned over to the Republic of Panama in the year 2000.

So, in all directions there was a lack of alternatives. There was a lack of a clear focus of opposition. And there is this problem of the special sensitivity. While Panamanians may be quite free at times in criticizing their own government, they are not particularly anxious to have the United States select a new government for them.

Now, frustration with present alternatives could be positive, if it leads to a more realistic analysis of the source of Panama's problems and to a lessened inclination on the part of Washington to try to dictate the course of that nation's internal affairs.

Panama's problems are not the result of the political weakness of Mr. Barletta, the age of Mr. Arnulfo Arias, or the ambitions of Gen. Manual Antonio Noriega, and they cannot be cured by simply changing the cast of characters.

Panama is a deeply divided nation, with a political climate dominated by mistrust, fear, and by a tendency of all too many actors to seek United States support as a vital ingredient in advancing their own agendas.

The current economic crisis which should not be underestimated—in many ways, it is the worst in the nation's history—has greatly aggravated the situation, further reducing confidence in government, and opening up opportunities for elements of the radical left.

To date, much to their credit, the mass of Panamanians have resisted the pleas of those who see violence as the path to political and economic progress. But how long this will endure is difficult to predict. It is obvious that a continuation of the present situation plays into the hands of the enemies of both Panamanian and United States security interests.

Today it has become fashionable to compare situations in a variety of nations to that which recently prevailed in the Philippines. There are some surface similarities, particularly in the economic situation, but there are also important differences.

There is no Corazon Aquino in Panama as a strong, national symbol of alternative politics. Neither is the polarization process so far advanced, a reality demonstrated by the different role played by the church in Panama. And, perhaps most important, there is no major insurgency, no armed Communist threat to the government.

This should not be taken to mean that time for change in Panama is unlimited, that the United States can safely ignore the rising tensions in that nation. But what it does mean is that there is time to focus on longer range solutions, rather than simply being overhwelmed with the problems of crisis management.

What the Philippines does demonstrate, as does the overthrow of Mr. Barletta, is that it is not enough simply to hold an election. Without the willingness of those in power to actually risk at least part of that power, elections alone can represent a move toward confrontation, rather than reconciliation.

What the United States must do is recognize that we have neither the ability nor the right to dictate a solution to Panama's political problems. But we can encourage and I think offer positive incentives to the Panamanians to themselves move in this direction. I would argue that some of these incentives can be in the area of economics. As Ambassador Moss very correctly has pointed out, Panama faces a grim problem in terms of employment, in terms of opportunities. And the current situation discourages new private investment from outside.

Therefore, pointing this out to the Panamanians, offering incentives in case of a more democratic government, perhaps even widening the canal, which the Panamanians want very much, or even beginning studies for the potential of a sea-level canal—obviously something that would not be undertaken in the absence of a democratic government—could provide positive incentives for change.

Dealing with the Panamanian Defense Forces offers a special set of problems, and they are one of the keys to the situation.

As I suggested earlier, we are caught on the horns of a dilemma. On the one hand, it has to be recognized that the Panamanian Defense Force is the source of much of the country's current political problems, and that its current role in politics, as well as in other areas, is a source of future instability. On the other hand, we have the responsibility, the legal obligation under the Torrijos-Carter treaties, of developing this force, of insuring its ability to undertake the defense of the canal in a timeframe that now is less than 14 years away.

What must be recognized is that militaries such as this do not give up power. You do not move in huge leaps from military domination to a military which sits in the barracks and plays only a professional role. These things are done incrementally. What is important is to encourage a process, to encourage the military to move step by step away from the exercise of power without in the process feeling that its survival as an institution is threatened.

Second, in this process, it is helpful to strengthen the institutionality of the officer corps so that their loyalties are not given to an individual but rather to an institution, and so that they come to understand that the future of the institution is better safeguarded by a more democratic Panamanian system than by a persistence of current trends.

In this regard, it should be noted that there are problems of education in the leadership corps of Panama. This is one of the very few countries that I know of without a military academy, which has a military this size. This is essentially a police force which is trying to become a military.

Historically, wherever you have had the police and the military combined in a single institution, the result has been not the improvement of the police but the corruption of the military. Therefore, anything we can do to aid the professionalization of this military and to encourage the separation of the police and military functions would be highly worthwhile.

But, ultimately, it is the Panamanian who must and will resolve their problems and select their future leaders. It is not up to us to install or maintain any individuals in positions of power in that nation. We can offer incentives for positive change, make clear the costs of a continued process of polarization, and devote greater efforts to understand the internal dynamics of this critical nation.

Ignorance and arrogance today, more than ever, would be a recipe for policy disaster in this nation so vitally linked to us. I might add here that I am glad the committee also is going to be looking into Mexico. If there are two countries in the hemisphere with which we have this special relationship, they are probably Panama and Mexico. Given the attention we can pay to two countries in the Middle East and the amount of resources we can put into them, given their importance to our security, I would think we could devote at least a small portion of that effort to two countries much closer to home and with certainly an equal ability to influence the destinies of our own country.

Thank you very much.

[The prepared statement of Mr. Millett appears in the appendix.]

Senator **Helms**. Thank you, Mr. Millett.

The Chair should comment at this point that this is the first meeting of the Foreign Relations Committee since the death of our late former distinguished colleague, Senator Javits. A number of Senators who otherwise would be here have gone to New York for the services. I myself would have gone except for the fact that we would have had to cancel the plans that many of you had made to be here.

Mr. Bailey.

STATEMENT OF HON. NORMAN A. BAILEY, FORMER SPECIAL ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

Mr. **Bailey**. Thank you very much, Mr. Chairman.

Before reading my testimony, I would like to make the following statement.

Since I published an article about the Panamanian case in the Los Angeles Times, I have been accused by the government-controlled press in Panama of being paid in order to attack the present government. I want to make the statement that I am being paid by no one to do anything in particular about Panama one way or the other.

Senator **Helms**. Mr. Bailey, if it is any comfort to you, I have been the subject of some attacks myself, from the same sources. [Laughter.]

Mr. **Bailey**. Mr. Chairman, ever since 1982, when one Latin American country after another began moving from military dictatorship to democracy, pessimists have been warning that the region's persistent economic crisis would cause the political tide to turn again. It was said that the people would grow impatient with the democratic system's inherently slow management of the economy and would look again to authoritarians for a Draconian solution.

On September 27, 1985, Panama suffered the first reversal of the process of democratization since President Reagan assumed the Presidency. President Nicolas Ardito Barletta was forced out of office as a direct result of the new cycle of state-supported narcoterrorism the Panamanian Defense Forces, or PDF, are alleged to have supported in the region.

Barletta had agreed to the formation of an independent commission to investigate the assassination of Dr. Hugo Spadafora, found earlier that month in a U.S. mailbag, decapitated and showing particularly brutal torture marks on his body. He was last seen alive while under arrest by a member of the G–2, the PDF security forces. He was returning to Panama after vowing publicly to expose key PDF officers' involvement in the drug traffic.

In New York, on Thursday, September 26, 1985, President Barletta gave a speech at the General Assembly of the United Nations. That evening, he hosted a reception in honor of the U.N. Secretary-General. But around 9:30 p.m., Barletta left his hotel suddenly and flew back to Panama, into the teeth of a gathering hurricane.

He was met at the airport Friday morning by officers of the PDF, headed by its commander, Gen. Manuel Antonio Noriega, and taken to the PDF barracks. Fourteen hours later, at 3:30 a.m., on Saturday, September 28, Barletta issued a declaration addressed to the people of Panama and was sent home.

Shortly thereafter, the First Vice President, Eric Arturo Delvalle, was sworn in as President over the vigorous objections of U.S. Ambassador Everett Briggs.

The reason given for Barletta's ouster was the country's economic and financial crisis and his inability to deal with it. Panama's crisis descended, ironically, on the eve of the international financial convocation in Seoul, where the United States unveiled the outline of a new program for dealing with Latin America's huge external debt, thus offering these countries a light at the end of the economic tunnel for the first time in 3 years.

On the face of it, there would seem to be no Latin American President better prepared to understand and deal with the economic situation than Nicolas Barletta. He was educated as an economist at North Carolina State University and the University of Chicago. He was Minister of Economy in the government of Col. Omar Torrijos. He was the World Bank's Vice President for Latin America from 1978 to 1984. In that year, with the support of the National Guard, he was elected President, narrowly defeating 83-year-old veteran politician Arnulfo Arias.

From the time of his inauguration until his overthrow, Barletta tried to institute those economic measures necessary to deal with Panama's foreign debt service and economic crisis.

The overthrow of President Barletta's government is triply dangerous. In the first place, his downfall, as mentioned, is the first reversal of the recent process of democratization in Latin America.

Second, the excuse used—and it is certainly nothing more than an excuse—is the economic and financial crisis. There is not a country in Latin America where this pretext could not be used to justify a coup. Thus, the worst fears of the pessimists may be coming true.

Finally, Noriega, widely suspected of drug dealings and the murder of an opposition figure shortly before the coup, has indicated that he staged the takeover to forestall a similar action by his second in command, Lt. Col. Roberto Diaz Herrera, a leftist with reported ties to the Sandinistas and Castro, who was slated for retirement early this year, but did not.

Nicolas Barletta claims that he is still constitutional President of Panama. His assertion rests on two grounds.

In his declaration, he spoke of "separating himself from his tasks," not "resigning," and did so in front of his Cabinet. According to the Panamanian Constitution, the President can separate himself from his tasks for up to 90 days without ceasing to be President. The First Vice President then becomes temporary Acting President.

Also, Barletta addressed himself to "the people of Panama" and not to the National Assembly, which would have been appropriate had he wanted to resign.

The dean of the University of Panama's Law School has agreed with these interpretations.

Since the coup d'etat, Panama has been steadily moving farther into the narcoterrorist orbit, the military openly taking over key civilian institutions one by one, such as the ports, airports, railroad, customs, and immigration services. The ingredients are there for Panama to become the first country to institutionalize the drug traffic and laundering of narcodollars under the auspices of a government run by the PDF.

We know that the burgeoning network of organized crime in this hemisphere and elsewhere increasingly includes partnerships between the guerrilla groups, such as the M–19 and Sendero Luminoso, the big narcotraffickers, and certain Soviet-backed nations in the hemisphere.

In addition to all of the above, the present voice of Panama in the Contadora process is the voice of a government controlled by military officers who regularly visit Managua and Havana.

Although the administration has sent out many signals of displeasure with Panama over the coup and has told the military high command to "return to civilian rule," it has not been made clear that this means allowing the constitutional President to resume office.

The military have chosen to interpret U.S. messages as a signal to strengthen the image of continuing constitutionality and civilian rule by beefing up Delvalle's image and, if that does not work, speak of proceeding to install a junta and call new elections.

But Panama can ill afford the economic and social costs of a new round of elections so soon after the last one. Furthermore, they would be called and presided over once again by the military, thereby continuing to legitimize their de facto control of Panama.

Given the dignity and courage being shown by President Barletta, given the importance of reaffirming the democratic process in the face of the hemisphere's economic crisis, given the dangers of the lethal formula of drugs plus guns in strife-ridden Latin America, is it too much to ask the countries of the hemisphere to meet in the council of the Organization of American States, put aside their habitual hypocrisy for once, and demand that the constitutional President of Panama be restored to the exercise of his office?

Is it also too much to ask the U.S. Government to support such a move?

There is still an opportunity to restore democracy in Panama. The simplest way for this to happen is for President Barletta to be able to resume the office of the Presidency without interference from the Panamanian military.

Thank you, Mr. Chairman.

Senator HELMS. Thank you, Mr. Bailey.

I wonder if our four witnesses would indulge me for just a moment. I must return a call to the majority leader, and I do not have anybody to whom to hand the gavel.

I will be back in just a couple of minutes.

We will stand at ease.

[A brief recess was taken.]

Senator HELMS. The Chair appreciates enormously the patience of the panel and others. I might say that I conduct a lot of hearings in the Senate before various committees, and never before have I seen a panel better balanced or with better statements, and I commend each of you. I again say that I appreciate your cooperation in being here.

Ambassador Moss, I believe you were Ambassador to Panama from 1978 to 1982, is that correct?

Ambassador MOSS. Yes, sir.

Senator HELMS. During that time, what steps did the military dictatorship take to return to a civilian government?

Ambassador MOSS. Actually, Mr. Chairman, it should be noted that during the time of the treaty debate, the United States Senate played an interesting part in the human rights process in Panama. The Senators traveling down there extracted three promises from Torrijos: To let political exiles return, such as Mr. Eisenmann, Arnulfo Arias, and others, to open up a free press, which also happened, and to allow the free play of political parties.

That was an important first step, even before the treaties were agreed to.

After that, Panama put into motion a plan of constitutional reform under which, by 1984, there would be the first full, free, direct popular election of the President and Vice Presidents since Torrijos took over in 1968, or, rather, predecessors to and then Torrijos took over in 1968.

Those constitutional reforms were approved, and the 1984 elections were held in accordance with them.

Political parties during that time were allowed to form. There are a number of freely operating political parties in Panama. La Prensa, although I fully recognize the pressures and the problems that it has had in dealing with the government, certainly does not feel constrained to criticize the government and does so quite courageously and vehemently.

Senator HELMS. How did the United States act to encourage the development of democracy during your years as Ambassador to Panama?

Ambassador Moss. There was a great basis of continuity in both the Carter and Reagan administrations, and we followed the line of encouraging constitutional reform, freedom of expression, and political parties. I, as Ambassador, for instance, took great care even to invite people like Arnulfo Arias to official receptions, to parties. I had lunch with him. The political section of our Embassy met regularly with representatives of political parties and gave them moral encouragement.

I would say that the general policy line of the U.S. Government, encouraging toward civilian government and the emergence of a representative democracy, was something that was known and appreciated by the Panamanians.

Senator **Helms**. You know, it is very easy to talk about this encouragement and that encouragement. What sort of quid pro quos went along with the various steps, if any?

Ambassador Moss. During the Carter years, frankly, there was not very much in terms of quid pro quo. In fact, the aid program to Panama declined over those years. But with the coming into force of the Caribbean Basin Initiative, there was a very powerful quid pro quo, and aid to Panama has, I believe, more than tripled since the time of the Carter administration. This was mostly in economic aid. Military aid increased also, but there were increases particularly in the economic area. Aid during the Carter administration, as I recall, sir, had gotten down to around $6 million a year, but increased enormously with the Caribbean Basin Initiative, which was an incentive to push Panama in the private sector development direction and in the democratic direction.

That is the largest single quid pro quo. But there have not been very big, tangible, significant carrots offered, I would say, during the time that I was there in terms of tangible material incentives to move in a democratic direction.

Senator **Helms**. Let me suggest that on any of these questions to any panelist, if the others have anything to add or to suggest, we make it sort of informal today, and just raise your finger or your hand, and let's go.

Mr. Ambassador, did you ever have any misgivings that the progress toward democracy might be slowed by any means, by any issues or personalities central to the Panamanian situation? Of course, I am talking about Torrijos?

Ambassador Moss. Torrijos, I think, tried genuinely to bow out of day-to-day involvement in politics beginning about 1978, when the Royo and de la Espriella came in. Of course, he kept control of special pet projects such as El Salvador and Nicaragua, but left the day-to-day management of the economy largely up to the civilian government.

He sometimes referred to himself as a "retired dictator." That was not quite true, but it showed his interest in moving in that direction.

Certainly he did not participate at all in the day-to-day economic and general management of the country.

He died, of course, in 1981, and after that time I think the chief obstacle really was the legacy of the strong man tradition, of the military tradition. Here I would say it is not just a question of any single individual in the military emerging as a successor dictator, but rather the notion of a military estabishment more or less as a caste, that they are the ultimate arbiters of power, and that is what makes Panama a complicated problem.

It has never been simply the question of removing one person from the scene in the style of a Duvalier or a Marcos and having full democracy emerge. Rather, the whole military establishment sees itself in a certain role and progress toward democracy has to involve curtailing the power of that establishment and changing its image of itself.

Senator **HELMS**. Comparisons sometimes are odious, but I have heard various assessments of General Noriega and General Torrijos.

Is Noriega more committed to a democratic Panama than Torrijos?

Ambassador **MOSS**. It is very hard to make that comparison at all. I do not find an awful lot of evidence pro or con for making such a comparison, frankly.

Senator **HELMS**. I'd like to ask the other panelists that question. Mr. Bailey.

Mr. **BAILEY**. Well, it seems to me that since General Noriega overthrew a constitutionally elected President, his dedication to democracy at the very best is questionable.

Senator **HELMS**. Mr. Millett.

Mr. **MILLETT**. I think it should simply be noted that one major problem of General Noriega is maintaining control over the Panamanian Defense Forces.

This force is not simply the instrument of a single individual. There are factions. There are constant reports coming out of rivalries within.

I would say that in many ways a lot of his actions in the political field are reflections of his determination to retain control of the PDF

Ms. **EISENMANN**. Actually, I think the most important thing from our point of view is the fact that Noriega commands the forces and these are the very forces that are turned against the Panamanian people. They are the ones that have committed the murders. They are the ones who entered La Prensa, poured acid on the presses and destroyed them. They are the very ones who are taking the moneys that belong to the people of Panama, and many of these are grants from the United States Government, and they are misusing and squirreling away these funds. I think the questions remain where are these funds, where are these people who are dealing in narcotics, why isn't this exposed.

We have been asking the question before the Congress in eight hearings over these last years, and there has not been a clear answer, and we know and you know that the information exists and it is only your power, Mr. Chairman, that could release this information.

Senator **HELMS**. Mr. Ambassador, to what extent does Panama benefit financially from the Panama Canal Treaties?

Ambassador **MOSS**. The chief benefit from the treaties, sir, came in the form of additional payments out of toll receipts. It amounted to, roughly, $76 million a year.

The other, indirect, advantage came from a somewhat improved business climate in the immediate aftermath of the signing of the treaties. As I noted in my prepared text, the American Chamber of Commerce was formed and it looked as if foreign investment might be coming in because the big differences between the two countries were settled, and it appeared to be ushering in a period of prosperity and growth.

I am sorry to say that that anticipated rush of foreign investment never really materialized, because there was always an understandable wait-and-see attitude on the part of the foreign investors—first of all, wait and see until the treaty comes into effect, how well it works, and we'd better give that another year; and then, of course, the changing of Presidents began on the part of the military and that, of course, naturally induced a wait-and-see—a cautious—attitude on the part of foreign investors.

The CBI should also have brought more foreign investment into Panama. But I think, again, political events hindered that plus the inability of the government to change the labor law, which was very unfavorable to private investment. Investors want to wait and see if that really is going to happen.

Senator HELMS. Mr. Millett.

Mr. MILLETT. There were two other effects of the treaties that I think perhaps deserve being underlined.

First of all, the issue of regaining sovereignty over the Canal Zone was the unifying national theme for years, and in a sense made it more possible to put politics on the shelf. When that issue is resolved, basically through the treaties, then the other issues are back on the active agenda and it becomes much harder to argue that we have to be unified facing the United States in order to get back our territory.

Second, as I think we have seen happen so often, the expectations of the rewards greatly exceeded that which was delivered. People expected that with the treaty there would be a bonanza. I think an awful lot of Panamanians really thought that the canal generated huge revenues that we were somehow or other pocketing and that these would all come into their hands. They could see the houses in the Canal Zone. In some ways, the worst slums in Panama were deliberately put right across from the boundary line. There was a lot of feeling that when this reverted to Panamanian sovereignty, all those who lived in the worst houses would now somehow or other move into a house in the zone.

Well, obviously, there were not nearly enough houses in the zone, and the people who lived in places like Hollywood—that's what it's called—still live in Hollywood.

So there has been a certain level of frustration over the results which have not been as anticipated.

So, for these two reasons, in a sense, the signing of the treaties, while culminating a long-held Panamanian ambition, also contributed significantly to the current level of political tensions.

Senator HELMS. I recall prior to the beginning of debate on the treaties that I was designated by some other Senators to visit with President Carter—I don't know whether you know about this or not—to deliver two things. One was a statement signed by four previous Chairmen of the Joint Chiefs of Staff and a cover letter signed by then Senator McClellan, Senator Harry F. Byrd, Jr., of Virginia, I have forgotten the third, and by me. The commitment was made by those four Senators and offered to the President that in lieu of the treaties we, including the four Senators who signed the letter and others, would promote and support and probably pass through the Senate a substantial expansion program for the Canal if the advice of the four former Chairmen of the Joint Chiefs were followed. Their advise was to lay aside the treaties for the time being.

The President was very much interested in that and, indeed, I thought when I left the White House that he was going to sign off on it, but then some other forces came to play and it did not happen.

The fear was expressed at that time by the Joint Chiefs and by the four Senators signing the letter that the people of Panama would expect more out of the treaties than was going to be the case. So what you say has proved to be a confirmation of those fears.

To your knowledge, Mr. Ambassador and others, were there any financial benefits given to Panama by the Panama Canal Treaties or the implementing legislation as an incentive or a reward for any specific political developments in Panama, such as a commitment to a reasonable schedule of the restoration of democracy there?

Ambassador Moss. No, sir. I do not recall any specific quid pro quo of a political nature like that. I do not believe I can identify any such benefits.

Senator Helms. Well, you said "specific." How about in a general sort of way? Was there anything?

Ambassador Moss. I think in a general sort of way there was the commitment of the United States to continue an aid program, although, as I mentioned, the aid budget to Panama did, in fact, decline after the signing of the treaties. There was certainly a commitment during the time of the Carter administration, but then even more so during the time of the Reagan administration, to try to funnel private foreign investment to Panama. I think that was a point in common that both administrations had, that they would seek to promote Panama as a favorable place for United States investment, with OPIC guarantees, that kind of thing, Eximbank credit available, things of a sort to help develop the private sector.

I can remember an AID project, for instance—this was back during the time of the Carter administration, and it is even more typical of the AID program now—that gave several million dollars to the Panamanian Association of Business Executives to start a cycle of small business seminars to try to reactivate small- and medium-sized business in Panama and get their focus onto international trade and things of that sort.

So there were more directly, I think, links with an open economy and private sector development rather than specifically an opening of the democratic political process. There were benefits but not exactly of the sort that you asked about, to my recollection.

Senator Helms. Let's talk about human rights in Panama.

Describe, if you will, your assessment of the human rights situation while you were ambassador?

Ambassador Moss. Everything, of course, is relative in Latin America. The human rights situation in Panama was relatively favorable compared with what we saw going on in a lot of other countries.

There were, in fact, so far as I could tell, no political prisoners. The return of the exiles was managed successfully. When Arnulfo Arias came back, he was met at the airport by more than 75,000 people. People turned out regularly for his speeches, and he was allowed to go politicking around the country without any hindrance.

There was the ugly incident at La Prensa, which Ms. Eisenmann mentioned, in which thugs came in and broke up the presses, although I believe, due to the ingenuity of the management, the paper was back on the street in a couple of weeks.

There were incidents of this sort. But I would describe them as at a rather low level of human rights abuse, compared with what we would see going on in many other countries of Latin America.

I did not know of any disappearances or killings or assassinations that happened during my time there. They may have happened, but I don't know about them. It was not a notorious country in that respect. We, of course, had to prepare an annual human rights report for Congress, and in the freedom of the individual, the freedom against physical abuse, Panama came off with reasonably high marks.

What we talked about more in the human rights reports that we prepared for the State Department to send to Congress at the time was more concern with political evolution, the lack of free and open elections, the lack of a genuine working, representative democratic system. Promises to work toward that certainly had not been fully implemented in any way, shape, or form by the time I left office.

Senator HELMS. You compared Panama to other nations. Let's compare Panama with Panama, then and now. In human rights, how would you compare or contrast them?

Ambassador Moss. Well, I have no basis for judging by being there on the spot anymore, though I meet with a lot of Panamanians. I have read the State Department's human rights report.

My general sense is that people are more afraid now than they were then, more afraid of saying something or doing something that is not popular with the powers that be. Part of this, of course, has to do with the horrible, tragic murder of Dr. Hugo Spadafora, whom I knew personally. I think the atmosphere is one of much greater caution in feeling free to criticize the government than was the case before.

Nonetheless, I would say, again, that Panama is not a country where you have situations such as you do in countries where there is an insurgency going on, where you have lots of dead people in the streets in the morning, as in El Salvador, or hundreds of political prisoners as in Cuba, or any of this kind of situation. But, nonetheless, I do not get the feeling that there has been an improvement, but, quite possibly, somewhat of a deterioration in the overall human rights picture since I was there.

That is just an impression I have gleaned from the people I talked to.

Senator HELMS. Mr. Bailey.

Mr. **Bailey**. Mr. Chairman, I would say that at the present time there is a very close similarity between the civil and human rights situation in Panama and Nicaragua. In Nicaragua there is an opposition press, which is intimidated. In Nicaragua, there are opposition parties which are intimidated. And there is a private sector which is intimidated.

The Nicaraguan Government is alleged to engage in drug and arms trafficking, and so is the Panamanian Government. I would say that the two situations are very similar.

Ambassador Moss. Mr. Chairman, I would just like to say that I think the freedom of expression situation in Nicaragua and Panama really are not that directly comparable.

La Prensa, in Nicaragua, is directly censored by the Government and many days does not appear at all. This is not the case in Panama. There are also a great number of independent radio stations in Panama whose commentators give unadulterated misery to the Government all the time and get away with it. I think the question of degree is of enormous significance, and certainly the type of repression of the private sector, of the press, of the church, of everything that we see in Nicaragua, is not comparable in Panama.

Certainly the church is not in the same situation either. The church in Panama, the Catholic Church, is part of the establishment, whereas in Nicaragua, it is under severe attack and repression, as Cardinal Obando continuously points out.

So I do not honestly believe the situations are at all comparable.

Senator **Helms**. Mrs. Eisenmann, I would like to have you comment on that. Also, from your point of view, I think it would be interesting and helpful for the record for you to describe the existing conditions relating to freedom of the press in Panama.

Ms. **Eisenmann**. On freedom of the press, Mr. Chairman, each year the Human Rights Reports of State Department report on the continuing violent attacks on La Prensa and the radio stations this year, it is recorded on pages 643–644.

Over the years, our committee has submitted each December a report and each February read with great care the State Department reports.

Through the years, there has been, shall we say, an opening of an awareness of State Department to some of the horrors that have been existing in Panama. I will take just one brief paragraph that appeared in "The Human Rights Practices of 1985," which was just issued this past February.

On page 641 it is stated:

> Both Spadafora and Mauro Zuniga, an opposition leader, kidnaped the previous month by unknown assailants, had the inscription F-8 on their backs. This link raises the possibility that there is some sort of death squad that may be operating in Panama. Some speculate that F-8 is a successor of the infamous Seventh Force, a progovernment squad that was active during the 1984 election.

I could go on with disappearances, torture, and cruel, inhuman, and degrading treatment and punishment. But it is all here in the record [indicating].

These are not my words. These are the words of the U.S. State Department.

Senator **Helms**. I think it would be useful to have at this point in the record the State Department Report.

Without objection, it will be included in the printed record of this hearing.

[The information referred to appears in the appendix.]

Senator **Helms**. Do either of you gentlemen have any further comment?

[No response.]

Senator **Helms**. Mrs. Eisenmann, in your view, how does the Panamanian military affect the human rights situation in Panama—positively, negatively—how?

Ms. **Eisenmann**. Completely negatively.

There is nothing that happens in Panama that is not controlled by the Panama Defense Forces.

The airports are controlled. Therefore every bit of the narcotics that are smuggled through are accomplished with the acceptance of these forces. They are involved in every one of these scuffles because they dress their thugs in civilian dress and attack individuals. It is not just at La Prensa. There have been many, many incidents. They are described in the human rights reports of the State Department.

There is no part of Panamanian life where violation of human rights are not involved—and I go as far as the school system—where the military do not control. You can go up the ladder then to the courts, where the military control is such that the investigation of the death of Dr. Hugo Spadafora, his gruesome murder, was squashed because of the influence of the military.

I do not think you could ask for any clearer evidence of their intrusion into the human rights of the people of Panama.

Senator **Helms**. Well, including freedom of the press or lack of it, as you perceive it, what other obstacles, if any, to democracy exist?

Ms. **Eisenmann**. I would say that a recount of the 1984 fraudulent elections would be a very important step toward democracy. It was done in the Philippines. I don't know why it can't be done for Panama.

Senator **Helms**. In the Panamanian press, there are constant charges against the Government involving corruption. What levels of corruption from your investigation or your organization's investigation, or both, do you perceive in, first, the Government, and, second, the military, to the extent they are separate?

Ms. **Eisenmann**. I am not sure that I am clear on your question. If I could, may I ask if one of the other two comment?

Senator **Helms**. Sure. Very well.

Ms. **Eisenmann**. Would you like to answer that, please.

Mr. **Eisenmann**. Mr. Chairman, I am looking for a list of justified, documented corruption cases that our newspaper has exposed in the last few years, and I cannot find the document right now. But they add up to $275 million U.S. dollars.

There is a Social Security scam that was documented at $100 million. There is an Industrial Development Bank scam that added up to over $30 million, of an institution called COFINA, which has recently been closed due to this factor.

There is a scam of about $100 million of an institution dedicated to mining resources in Panama. There was also a situation where

General Noriega's brother had $6 million transferred to one of his private accounts in Bank of America—Panama. It was also documented with copies of deposit slips and checks. His brother, since deceased, was a third or fourth level government employee.

There was the Van Dam Bridge Project, that cost the government over $30 million and the bridge was never constructed.

I could go on and on.

Senator HELMS. Well, I will tell you the best way to handle this.

If you could, Ms. Eisenmann, obtain from him the documents and then submit them for the record. I am trying to adhere to the rules of the committee.

Ms. EISENMANN. I will.

Thank you very much, Senator.

[The information referred to appears in the appendix.]

Senator HELMS. Now, I would like to point out a contradiction that I perceive. The press in Panama has been described here as controlled. Yet you have just identified a number of exposes that the press there has carried.

Am I in error in seeing a contradiction there?

Ms. EISENMANN. I'm afraid I don't understand the question.

Senator HELMS. All right. Let me have another run at it.

I believe you said that the press was thoroughly under the control of the military.

Ms. EISENMANN. Not exactly that.

Senator HELMS. Under the control of the military?

Ms. EISENMANN. No; I'm sorry if that was the implication.

Senator HELMS. Well, the accoustics are bad in this room.

Ms. EISENMANN. No; the press is oppressed by the military.

Senator HELMS. I see.

Ms. EISENMANN. The military tries to control. The military has intervened. But it is still a free and independent press.

Senator HELMS. Well, I am glad I made the point I did because it clearifies the matter in my mind.

It is difficult to hear in here. There is a short distance between you and me, but the ceilings are very high.

Ms. EISENMANN. I think perhaps I should add that the military does have control over all the other newspapers of Panama, and I am sure Roberto Eisenmann will give you facts and figures on that if you would like me to ask.

Senator HELMS. Well, I would like for you to submit them in any form that you feel appropriate.

Ms. EISENMANN. Yes, of course.

Senator HELMS. Is there any comment about the press from the panelists?

Mr. BAILEY. Well, I would like to point out just what she said. There is one independent newspaper in Panama. The rest of the press in Panama is controlled by the Government. That is the same situation you have in Nicaragua.

Now, it is true that in Nicaragua there is direct press censorship which, frankly, if I were an editor, I would prefer to having my life threatened, which is what happens in Panama. Maybe it's because I am a coward. I don't know.

But, frankly, I would rather have parts cutout of the press than have my head cutoff, which is what they engage in in Panama.

Now, it is true that there are private radio stations in Panama which engage in criticism of the situation. There were private radio stations in Nicaragua that for sometime engaged in criticism of the Government. They have now disappeared. That is, they do not engage in criticism of the Government of Nicaragua any more.

The situation in Panama with reference to civil and human rights is not yet as bad as it is in Nicaragua. In that I agree with Ambler Moss. But it is getting there.

Senator HELMS. Thank you.

Mr. Ambasador.

Ambassador MOSS. Mr. Chairman, I would just like to add that there is another completely independent newspaper in Panama, "La Estrella." I would not describe it as controlled by the military. Its policies, reflecting those to José Gabriel Altamirano Duque, its owner and editor, are in line with those of the Government. So it does not differ much, although it does at times, with Government policies. But it is not under the control of the military, and I do consider it an independent newspaper.

I would point out, though, another very fundamental difference between Panama and Nicaragua which I do not want sight lost of.

Nicaragua is governed by a committee of nine Communists, whereas the Government of Panama is headed by a man from the private sector, and almost all of his cabinet are from the private sector, many of them educated in the United States and many of them having worked with or for United States corporations. The fundamental mentality there is completely different from that of Nicaragua.

So there is a lot to build on in Panama. There is practically nothing to build on in Nicaragua. But that is why I suggest the types of policies I do. There are plenty of forces that one can work with in Panama which are not crowded out of the government but, in fact, are deeply ensconsed in the government.

Senator HELMS. Mr. Bailey, let me ask you a question.

I hear constantly that the military has taken over control of the key facilities relating to the Panama Canal, such as the railroad, the port facilities, the Free Trade Zone, and so forth. I have several people around the country who write me regularly who contend this.

What is your judgment about that?

Mr. BAILEY. Well, since the overthrow of President Barletta, the Panamanian military have moved to takeover all of these facilities that you have mentioned, with the possible exception of the Free Trade Zone. I don't know about that. They may have.

But they have taken over the ports, the airports, the railroad, the immigration and customs services.

Now, one has to ask oneself why are they doing this?

It has been alleged that the reason they are doing this is in order to control the drug and arms traffic even better than they controlled it before. I am not going to make that direct allegation. As a matter of fact, I have been extremely careful in my testimony to always talk about it as "It is reported that" and "It is alleged that," because I am tired of being threatened by the present government in Panama. I will say as far as the comparison with Nicaragua is concerned, even though I am equally opposed to them and have written and spoken against the present government in Nicaragua, they have never threatened my life whereas the present people in Panama have. I consider that to be a violation of my civil rights and my human rights.

I do not want to get totally personal about this thing, but I am getting tired of it. Therefore everything that I have said is "alleged"and "reported" and so on and so forth.

You are probably aware, Mr. Chairman, of the reports—I am sure you are aware—that have come into the various agencies of the American Government alleging these things.

Senator HELMS. Who threatened your life and how?

Mr. BAILEY. I would prefer not to go into that, Mr. Chairman.

Senator HELMS. Let's go back, if we may, to the murder of Dr. Spadafora.

There has been international concern about this. I do not like to discuss it in the presence of his brother and sister as I know it is constantly on their minds. But I cannot think of a more brutal act committed by anyone.

I think the record would not be clear, Mrs. Eisenmann, if we did not have testimony describing the events leading up to that murder. I think, because of your friendship with the Spadafora family, you may be in a position to do that best. If you would do so, as briefly as possible, would you chronologically describe the event.

And would you pull the microphone a little closer to you.

Ms. EISENMANN. I would be glad to do so, Mr. Chairman, except for the fact that it does exist and I do not seem to have it right here in front of me.

[Pause.]

Senator HELMS. Just take your time. I want you to feel secure in this.

Ms. EISENMANN. As you know, I am doing this at the last minute and really was not fully prepared. So I appreciate your patience.

Senator HELMS. I understand.

[Pause.]

Ms. EISENMANN. Would it be possible for the sister of Dr. Spadafora to read this?

Senator HELMS. I beg your pardon?

Ms. EISENMANN. You didn't hear me?

Senator HELMS. I heard you, but I did not understand you.

Ms. EISENMANN. This happens to be a statement of the sister of Dr. Spadafora, who is sitting right behind me. If you would permit, it might be more effective if she herself read it, or I will do it if you prefer.

Senator HELMS. Well, we cannot——

Ms. EISENMANN. Very well. Then I will be glad to do it.

This is a brief résumé of events surrounding the assassination of Dr Hugo Spadafora.

First, on Friday, September 13, last year, at approximately noontime, my brother was taken off the bus where he was travelling by a member of the Panamanian Defense Forces. This was the last time he was seen alive.

Second, on Saturday, September 14, a horribly mutilated and decapitated body was found, less than 1,000 feet inside the territory of the Republic of Costa Rica, very near to the border of Panama. The body was inside a United States Post Office mailbag.

Third, on Monday, the 16th of September, the body was identified as that of Dr. Hugo Spadafora.

On Wednesday, the 18th of September, the driver of the bus and his assistant declared that they had not seen Dr. Hugo Spadafora on the 13th of September.

On Thursday, the 19th of September, the Costa Rican judiciary offices of the place where my brother's body was found rendered a preliminary report to the Attorney General of Costa Rica. After describing the conditions surrounding the finding of the body, the report states that a witness that they had interrogated had declared that he had received three proposals from General Noriega to two PDF—Panama Defense Force—officials to assassinate Dr. Hugo Spadafora.

On Monday, the 24th of September, after having received protection for themselves and their relatives from their union, the same chauffeur and assistant expanded their declaration of Wednesday, September 18, and stated, among other things, that Dr. Hugo Spadafora travelled on September 13, 1985, in their bus, and that he was taken off at the park of the City of Conception by a member of the Panamanian Defense Forces dressed in civilian clothes.

Finally, during the following months, several members of the Defense Forces of Panama were interrogated without any positive results. After five and one-half months, the investigations were terminated and the case was closed, notwithstanding the courageous disagreement by one of the three magistrates that was considering the case.

Senator HELMS. Now that leads to an obvious question that ought to be asked at this point and answered.

What has the Panamanian Government done to seek justice in this matter? I will put that to all four of you.

Ms. EISENMANN. Could we ask that those of the family who have been seeking this justice have a way of speaking?

Senator HELMS. I will be glad for you to consult with them, and then you can respond.

[Pause.]

Ms. EISENMANN. The government, the military of Panama, have consistently refused an independent investigation, although not only the family, but the people of Panama have marched, have fought, and there is no response.

Senator HELMS. Again, these questions, as the others, would be directed at any or all of the four of you.

My understanding is that Mr. Barletta had no inkling of his removal until he went to the United Nations and announced that he intended to return to Panama and appoint an independent commission to investigate this.

Is this, to the best of your knowledge, correct?

Ms. EISENMANN. This is to the best of my knowledge completely correct.

Senator HELMS. Mr. Millett.

Mr. MILLETT. From everything I have heard, he did not, although, as I said in my written testimony, rumors of his impending ouster were circulating with increasing frequency in a host of circles before the Spadafora case broke.

Now this could be seen as the proverbial straw that broke the camel's back, and I think most observers would say it was probably a factor, but should not be seen as the only factor, or even necessarily as the prime factor.

Senator HELMS. Mr. Ambassador.

Ambassador MOSS. Mr. Chairman, I agree with that.

I can recall that in August, I was called by a Panamanian friend who told me about the speech of General Noriega at "Fuerte Cimmarrón," at a military ceremony, at which with the President was present. A lot of rather nasty things were said about him and about U.S.-trained economists who did not get the economy right and various other things in his presence.

I think the die was pretty much cast by about then. I was picking up from a number of Panamanian friends the fact that the end was in sight and that their best assessment was that Barletta would be overthrown.

Nevertheless, I saw him a couple of weeks before that at the Southern Governors Conference, and I don't think he had any inkling that it was coming. But I think that that event was predictable.

Senator HELMS. Well, that, in turn, leads to another obvious question.

Where does the investigation now stand? Is anything at all being done?

Ms. EISENMANN. The investigation, as we stated, is closed—just recently closed.

Senator HELMS. Officially closed?

Ms. EISENMANN. By the military.

Senator HELMS. Is that your understanding, Mr. Ambassador?

Ambassador MOSS. As far as I know, Mr. Chairman, that is the status right now.

Senator HELMS. Mr. Millett.

Mr. MILLETT. Yes.

Senator HELMS. Mr. Bailey.

Mr. BAILEY. That is correct.

Senator HELMS. Let the record show that all four have agreed.

Mr. BAILEY. Mr. Chairman, might I say something about that?

Senator HELMS. Certainly.

Mr. BAILEY. About something that was said by Ambassador Moss previously.

He gave the impression that Delvalle and the civilian members of the cabinet govern something in Panama. I want to make it clear that they govern nothing in Panama; that everything is taken care of, and I mean that in the specific sense of that term, by the Panama Defense Forces.

Senator HELMS. Well, what is your opinion about any possibility of resolving the Spadafora murder?

Ms. EISENMANN. It is a difficult question. Just a minute, please.

Senator HELMS. Do any of the other panelists have any speculation about that?

Mr. MILLETT. I suspect the fact that it has become a major political issue within Panama and a point of confrontation with the government has probably made it even more difficult.

We have seen examples in the past in Nicaragua, with the assassination of Pedro Joaquin Chamorro, in the Philippines with the assassination of Benigno Aquino, and, I think, in Nicaragua the chances are the head of government was not involved, or the head of the military was not directly involved. Nevertheless, it gets into such sensitive areas that the governments are extremely reluctant or unable to confront these.

I think one of the things that should be emphasized is that the parallel in these cases is that these represent in many ways a breaking of the rules. Ambassador Moss pointed out the lack of such cases in his tenure as Ambassador and that it is this departure, no matter who is responsible or how, this departure from the traditional rules of the game, and the murder of a prominent figure, that produces so much upset and so much concern. This simply is not the way it has been done in the past, and there is always, therefore, the very grave fear that under such conditions, no one may be safe.

Ms. **Eisenmann**. May I complement Professor Millett and add to what he has said. His comparison of this gruesome murder with that of Benigno Aquino is very, very valid. The solution to that in the Philippines was the restoration of democracy, and in Panama the only solution that we can see to resolve this sad situation is to restore the democracy that was taken.

Senator **Helms**. Well, I have had you here for over 2 hours and I know you have other things to do, but I do have a few more questions. In addition to those Senators who were not able to be here have indicated through their staffs to me that they would like to file some written questions. May we have an understanding that you will respond to those in writing.

I think we ought to go back to the Panamanian Defense Forces.

Would somebody who knows more about it than I do, and that would include all four of you, describe to me how the role of the PDF has changed in the past 10 years?

Mr. Millett.

Mr. **Millett**. Well, several things have changed.

There has been an effort to evolve into a military. Ten years ago, they were almost strictly a militarized police at the most. So there has been a great expansion of budget, of equipment, of training, of size.

Again, a good deal of this is mandated under the treaties which we have with Panama. This is not something which has been done strictly at the behest of the Panamanian Defense Forces themselves or for their own ambitions or for internal reasons.

This has been a very important change. The expansion of functions that has been commented on has come along with it. That has been another significant change, certainly one which could not be seen as particularly fortunate and which raises parallels with an earlier Nicaraguan case—not with the present Nicaraguan Government, but with an earlier Nicaraguan Government—where the military took over all these functions along with the police and it had rather disastrous effects on the military.

There was a very unique kind of command structure under Torrijos. He was the general. There was one colonel. Latin American armies traditionally are rank-heavy. This was probably the rank-lightest army in the history of the world. It had only, I think, half a dozen lieutenant colonels, every one of whom did not report to the one colonel but reported directly to Gen. Omar Torrijos.

This has changed since then because none of the three successor commanders have had that kind of ability to dominate the institution.

So, another very significant change has been this increase in rank structure, if you will, but also the lack of control. I think it is quite obvious that the current commander, Gen. Manuel Antonio Noriega, has great power. He is a very capable, very shrewd, and competent individual. He has greater control than his two predecessors, but does not approach the degree of control and centrality that General Torrijos had.

So these are some important changes that have taken place in the last few years.

Ambassador Moss. I can recall, Mr. Chairman, that in my time we estimated that, of the 9,000 or so members of what was then called the Panamanian National Guard, only about 1,200 were, properly speaking, soldiers. The rest were policemen.

So it was a heavily police-oriented organization then.

During my time in our military assistance group we were beginning to work on a force development plan for the Panamanians, thinking forward to the time where they would have the custody of defending the canal. Frankly, for a great many years, they were not even interested in talking about such a thing as force development. They were happy to have their institution more or less the way it was.

So I agree with Professor Millett. The real change, the watershed change, began after General Torrijos' death. Ambitions and perhaps recognition on the part of some of them that they had to make the guard into a more professional organization made them begin thinking in terms of expansion, equipment, and all of those things.

Mr. **Millett**. If I could add a line, there have been several joint maneuvers with U.S. troops which have revealed graphically to the Panamanians just how far they have to go. I think, again, it is much more than they thought.

This has not gone down easy. This is not surprising as it is a prideful outfit. But this has certainly dramatically revealed that they had an awful, awful lot to do, a total revamping of the structure, if they were going to be in any condition to fulfill their responsibilities at the end of the next decade.

This, again, is a divisive factor within the officer corps. There are those who see this and resent what they see as implied superiority of the United States and react one way. There are those who see it and want to do the professional things that are necessary and they react another way. This produces disputes between those officers who have a more professional military training and those who essentially have been policemen or risen more on ties to individuals.

This is a time of really great strain on the military, and I do not think the extent of these should be underestimated. It is a great mistake to view this military as the same thing it was a few years ago or as the creature of a single individual.

Ms. **Eisenmann**. I will add a very simple fact to this.

This group of military will have expanded to 50,000 members.

Mr. **Bailey**. To 15,000.

Senator **Helms**. Was that 2,000 to 50,000?

Mr. **Bailey**. To 15,000.

Senator **Helms**. Is it 15,000 or 50,000?

Mr. **Bailey**. 15,000.

Ms. **Eisenmann**. I'm sorry. The plan for the year 2000 is 50,000. My statement was a little bit confused.

Senator **Helms**. So the record should show that it is 15,000 now?

Ms. **Eisenmann**. The record should show that for the year 2000, the plan is 50,000 men to be under arms in Panama.

Senator **Helms**. 50,000 by the year 2000, and we will scratch the 15,000 figure.

Ms. **Eisenmann**. Yes, it may be 15,000 now, but it will be 50,000. It was my error in not stating it correctly.

Senator **Helms**. Well, how does all of this fit in with United States forces in Panama?

How do they get along, the Panamanian military and the U.S. forces? Does anybody want to tackle that?

Mr. **Bailey**. Mr. Chairman, if I could address the previous question——

Senator **Helms**. Yes, sir.

Mr. **Bailey** [continuing]. It seems to me one thing, one very important thing, has not changed over the last 10 years and one very important thing has changed, other than what already has been mentioned, which I agree with. The very important thing that has not changed is that during that entire period, the Panama Defense Forces ran the country through a series of puppet presidents.

The important thing that has changed, other than what already has been mentioned, is that very recently a great deal more time has been spent in Managua and Havana by top officials of the Panama Defense Forces.

Senator **Helms**. I wanted to get to that.

But before I do, is the Panama military force capable of defending the Panama Canal?

Ambassador Moss. Mr. Chairman, I guess, if I may begin on that one, the simple answer would be "No." But then we have to ask the question: Against what type of threat? If it were strictly an internal threat, something from within the country——

Senator **Helms**. Well, let's say subversion from the left.

Ambassador Moss [continuing]. Subversion from the left within the country, possibly yes. If it were any kind of determined attack on the canal with superior forces, equipment, aircraft, that kind of thing, they do not have anything to defend it with at this point.

But in terms of internal security within the country, I think they could handle some level of serious threat, subversive threat, from the left within Panama, because their intelligence organization is pretty good. They, I think, would be in possibly a better position than we were to identify the potential troublemakers and deal with them.

Mr. **Millett**. They are certainly more capable than they were 5 years ago, and they certainly have a long way to go. But they still have another almost 14 years to get there.

Senator **Helms**. We are going to have further testimony in subsequent hearings, but, I think, as a prelude, I ought to bring something up now.

Charges are made repeatedly about Panama's role in drug trafficking and in the laundering of money. I would like for any or all of the four of you to discuss that.

Mr. Bailey.

Mr. **Bailey**. There is a great deal of information, ranging from very hard to rather soft, concerning the use of Panama as a transshipment place for both illegal drugs as well as for arms to various guerrilla movements in the region, both in Central America as well as in Colombia and Peru.

Much of this, as you are aware, Mr. Chairman, is classified information.

A lot has been written that is not classified about this.

As far as hard information is concerned, a good deal of it does exist, even in unclassified form, and I think probably the Spadaforas can provide a good deal of this.

It was precisely because Dr. Spadafora threatened to expose the involvement of various figures in Panama in this kind of traffic that one has to assume he was murdered and that any attempt to assign responsibility for his murder has been squashed by the people who run Panama at the present time.

Senator **HELMS**. Ambassador Moss.

Ambassador **MOSS**. I can only address the situation as I knew it during the time I was there, sir. Certainly, with regard to arms trafficking, yes, it certainly did take place, trafficking through to the Sandinistas in Nicaragua. Of course, it was taking place at the same time from Venezuela, Costa Rica, Mexico, and a lot of other places. Of course, it stopped as soon as the Sandinistas took over, and after that, the Panamanian Government became disillusioned with them.

As for drug trafficking, during the years I was there, I was not aware of any evidence at all implicating Panamanian officials in drug trafficking. To the contrary, their record of cooperation with the United States in trying to stop the use of Panamanian territory for transshipment of drugs was very good.

Most of the stories I have seen, of course, alleging drug trafficking through Panama refer to instances that have taken place since 1982, when I left. I have no evidence at all, I have not seen any hard evidence, about what has happened in subsequent years.

Ms. **EISENMANN**. It is rumored widely that the military are deeply involved in serious narcotic traffic. However, the real evidence is in the hands of U.S. officials and official bodies.

One report I happen to have with me. It is a committee print of the Committee on Foreign Affairs of the U.S. House of Representatives, a staff study and a report "U.S. Narcotics Control Program Overseas—An Assessment." The date of this is February 22, 1985.

Senator **HELMS**. The Hearst newspapers carried a rather indepth series of articles, written by Mr. Royce, Knut Royce, in which he reported on Panama's role in the drug trade, arm trafficking, and money laundering.

Without objection, I am going to insert that into the record.

[The information referred to appears in the appendix.]

Senator **HELMS**. Are you familiar with that story?

Ambassador **MOSS**. No, sir. I have not seen that.

Mr. **MILLETT**. Not at all.

Senator **HELMS**. Obviously, I guess the relevant question is this: Is Panama's involvement in drug trafficking increasing or decreasing? Does anybody have an opinion about that?

[No response.]

Ms. **EISENMANN**. May I read a very brief paragraph from the House committee report?

It says, "Because of other national security concerns, the U.S. Embassy has not been as forceful as is undesirable on corruption and drug trafficking issues with the Panamanians." I think there is a misprint here. They mean to say "has not been as forceful as is desirable on corruption and drug trafficking issues with the Panamanians."

I think there are many questions that are raised here that you probably will want to continue to answer.

Senator HELMS. Well, what we are going to have to do is to have testimony taken in closed hearings because it is classified. I know more about it than I am in a position to discuss today. But, in my judgment, there is no question about the involvement of a number of people.

During the last elections in Panama, a number of irregularities were reported. Are you aware of reports that General Noriega had leased the majority of buses in the country to prevent voter access to the polls? Is there anything to that report?

Ambassador MOSS. I am not aware of it.

Senator HELMS. You don't know?

[No response.]

Senator HELMS. Here, again, perhaps I should not have mentioned it, but that information has been given to me by official sources, and I will discuss it in a closed hearing with U.S. officials.

Does anybody have any specific knowledge about the involvement of any prominent individual in the Panamanian Government in drug trafficking?

[No response.]

Senator HELMS. How about linking one or more prominent individuals to organized crime in the United States?

Mr. BAILEY. Well, I have access to such information and I have such information, but I am unable to indicate where that information comes from and what the information is.

Senator HELMS. Well, as I say, that will be covered in subsequent hearings.

Well, I guess, as they say in the song, we've gone about as far as we can go here with the limits of classification that inhibit the presentation of testimony. But let me say again, as I said at the outset, that the administration has agreed to come at one or more subsequent hearings to testify on the sensitive matters that we have merely touched upon here today.

Many questions have been raised which require, in my judgment immediate attention, especially in view of events in the Philippines and in Haiti. Panama and Mexico are much closer to the United States than the Philippines and the establishment of free, democratic, and corruption-free institutions is much more important in Panama, even than in those other countries that are farther away.

So we are going to have further hearings, and we are going to have hearings on Mexico as well. As chairman of this subcommittee, we are going to request top level, classified briefings by our intelligence community so that the members of this committee and the entire Senate, for that matter, can have a complete picture of whatever is the reality of Panama and Mexico.

I have kept you here longer than I intended, but I appreciate your patience and I appreciate your preparing to come.

Unless someone has any further comment to offer, I will recess the hearing.

Does anybody have any further comment?

[No response.]

Senator HELMS. Hearing no response, thank you very much again, and we stand in recess.

[Whereupon, at 4:20 p.m., the subcommittee recessed, subject to call of the Chair.]

THE SITUATION IN PANAMA

MONDAY, APRIL 21, 1986

U.S. Senate,
Committee on Foreign Relations,
Subcommittee on Western Hemisphere Affairs,
Washington, DC.

The subcommittee met at 2:03 p.m., in room SD–419, Dirksen Senate Office Building, Hon. Jesse Helms (chairman of the subcommittee) presiding.

Present: Senators Helms, Trible, and Zorinsky.

Senator Helms. The subcommittee will come to order.

This afternoon, the Subcommittee on Western Hemisphere Affairs continues the series of hearings that began on March 10, relative to the situation in Panama.

As I believe I stated at the hearing on March 10, recent events in Panama have caused a great deal of concern in the United States and among other friends of democracy and freedom in the Western Hemisphere.

To this Senator's eyes, the record appears very clear that human rights abuses have not only occurred, but appeared to have enjoyed the protection of the government. That government, in turn, has been so pressured by the Panamanian Defense Forces that even our own Department of State appears uncertain whether or not we can call Panama a democracy. We will get into that a little later.

Allegations that drug trafficking has been condoned by officials in Panama have been made with substantial evidence to validate them.

Let it be said that the American people have a long history of friendship and cooperation with the people of Panama, in fact, since the very creation of that country. Therefore, it is in the interest of the United States that everything possible be done to assure Panama's survival as a democracy, free from corruption, cooperating in the battle against illegal drugs and firmly opposed to the incursion of Communist powers into our hemisphere's mainland.

Today we are grateful to have with us from the administration the Honorable Elliott Abrams, Assistant Secretary of State for Inter-American Affairs; Mr. James Montgomery, Deputy Assistant Secretary of State for Human Rights and Humanitarian Affairs; Mr. Ray McKinnon of the Drug Enforcement Administration; also Bonni Tischler and Peter Balonon of the U.S. Customs Service.

We welcome you to the subcommittee.

In a moment, Mr. Abrams, we will see if you perhaps have an opening statement.

But before that, I want to call on the distinguished Senator from Nebraska for any comments he may have.

Senator **Zorinsky**. Thank you, Mr. Chairman.

Mr. Chairman, these informative hearings on Panama have served to underline the serious issues facing that nation, which is important to the United States interests in Latin America and the Caribbean.

I have been concerned about the recent developments there, including the role and influence of the Panamanian Defense Force in national politics, the pressures on the opposition, especially La Prensa, and the handling of the economy.

After meeting with Ambassador Bazan, I believe that the government of President del Valle understands these concerns and wants to work toward the strengthening of democratic institutions and toward free and democratic elections.

Last Tuesday, Ambassador Bazan addressed the Woodrow Wilson International Center for Scholars of the Smithsonian Institution on this theme. Since it is appropriate to the concerns raised by this subcommittee, I ask unanimous consent that Ambassador Bazan's remarks be inserted into the record of this hearing.

Senator **Helms**. Without objection, it is so ordered.

[Ambassador Bazan's remarks to appear in the appendix.]

Senator **Helms**. Now, Mr. Secretary, you may proceed with your statement.

STATEMENT OF HON. ELLIOTT ABRAMS, ASSISTANT SECRETARY FOR INTER-AMERICAN AFFAIRS, DEPARTMENT OF STATE, ACCOMPANIED BY JAMES MONTGOMERY, DEPUTY ASSISTANT SECRETARY FOR HUMAN RIGHTS AND HUMANITARIAN AFFAIRS, DEPARTMENT OF STATE

Mr. **Abrams**. Thank you, Mr. Chairman.

Senator **Helms**. First, I believe you should pull your microphone a little closer.

Mr. **Abrams**. I am pleased to be here today to talk about the situation in Panama.

It is clear to the subcommittee that we have numerous interests in Panama—the canal, our bases there, assuring long-term commercial and military transit, Panama is a major center of regional and global finance and commerce and trade, the presence of about 30,000 American civilians in Panama—but I thought I would turn right away to the specific questions that I understand to be of interest to this subcommittee.

The first two relate to Panama's foreign relations.

For most of Panama's independent existence, its relationship with the United States has been its overwhelmingly dominant foreign policy concern. The desire for a new bilateral treaty dictated domestic politics, as it did relations with us, relations with others, and behavior in international organizations.

Since 1979, this exclusive orientation has virtually ended. As the relationship with us is no longer the dominant domestic issue in Panama, neither is it so dominant in Panama's foreign policy.

The result has been less consistency in international behavior, reflecting the complex ways in which Panama both is and is not like its neighbors. It is not Central American, but it is physically near Central America's troubles. It is small, but it has important assets.

It has seen itself as a hemispheric center since Bolivar's great unity conference of 1826. It is probably this perception of itself that prompted it initially to join the Contadora Group, mediating the Central American conflict. Its behavior has not always coincided with what we might like most; but its objectives in Contadora are compatible with ours—peace, preservation of territorial integrity and democratic political independence for itself and its neighbors.

The people of Panama do not want a foreign dominated antidemocratic state, such as Nicaragua, fomenting armed conflict in the region. We have our tactical differences and differences in perception from the Government of Panama, but we have never lacked a sympathetic hearing for our views from Panama's Government.

Also, and importantly, Panama has not tried to involve our bilateral treaty relationship in other issues. There has been no dispute concerning U.S. military forces in Panama.

In a region where we have too many problems, the virtual absence of difficulty about our most significant military bases is notable and beneficial to us.

Outside the United States and Central America, Panama's policies follow its national interests. They are typically practical and commercial. Moderation on Mideast issues proceeds from a warm bilateral relationship with Israel. They have exchanged high level visits with Japan and South Korea, and they have a strong diplomatic and economic relationship with Taiwan. They have no diplomatic relations with the Soviet Union or with the People's Republic of China.

They reestablished diplomatic relations with Cuba in the 1970's, apparently hoping to influence us in the canal treaty negotiations.

Cuba uses Panama's Vacamonte Port for its distant water Pacific fishing fleet. Cubana Airlines serves Panama and onward destinations in Latin America. Cuba is an active trader in Panama's import-export market, and Panama has become one of Cuba's major windows on the West.

Political ties are not notably cordial. There have been some visits in each direction.

This commerce, trade, and travel between Cuba and Panama creates some problems for us. Cubans who are fed up with living under the Castro dictatorship and who have managed to obtain exit permits by paying bribes to Cuban Government officials get visas to leave Cuba for Panama, and then seek to enter the United States illegally.

Past Panamanian Government limitations on visas for Cubans led to protests by Cuban-Americans at Panama's Consulate in Miami. We are discussing this problem with a view to minimizing abuse of Panama as a waystation for Cubans seeking to circumvent U.S. immigration procedures.

Another problem is that Cuba can and does use Panama as a place to purchase goods it cannot legally get directly from the United States. We are seeking to restrict use by U.S. vendors of Panama to circumvent laws against trading with Cuba.

The subcommittee has expressed concern regarding narcotics in Panama.

In the matters of controlling the production or trafficking in drugs or precursor chemicals, we have received excellent cooperation from Panama's civil and law enforcement authorities. Mr. McKinnon of DEA may have further comments on this issue and does cover it in his testimony.

I would draw particular attention to the cooperation of Panama's authorities with the U.S. Coast Guard. We get a prompt and invariably affirmative response when we ask for permission to board or search or seize Panamanian flag vessels in connection with narcotics searches. Of course, Panama has one of the largest registries of vessels. About 12,000 vessels fly its flag.

Second, having acknowledged Panamanian official cooperation, I am compelled also to state that we are aware of and deeply troubled by persistent rumors of corrupt, official involvement of Panamanians in drug trafficking. A colonel in the defense forces was cashiered in 1984 for such involvement. We remain alert for evidence of other, similar, activities.

Finally, laundering of drug money in Panama is of great concern to us. The Panamanian Government has stated that it shares this concern.

The laundering issue touches Panama because of its role as a banking center. Over 125 banks have over $30 billion in assets in Panama. It is the only other country in this hemisphere where the U.S. dollar is not a foreign currency—it is the local currency.

Capital moves freely in and out, and this situation is virtually made to order for a criminal with large amounts of U.S. cash to launder.

Again, in his written submission, Mr. McKinnon goes into this in some detail.

One means of addressing this problem is the Mutual Legal Assistance Treaty, and we plan to continue to work with Panama on getting some progress there.

On the human rights situation, I would say this.

Panama is one of the most open societies in the hemisphere, with pluralistic social and economic institutions, a free enterprise economy. There is general freedom to express political dissent and the legal rights of individuals are generally respected.

The Government has a functioning elected legislature and civilian judicial and executive organs.

Despite Panama's favorable comparative situation, there are areas of concern. The subcommittee has expressed special interest in some of these problems.

Of course, first is the unsolved murder of Dr. Hugo Spadafora, whose decapitated body was found in September, in Costa Rica, near the Panamanian border. That murder shocked Panama.

The shock was not only due to the extreme brutality of the act, but also because the murder was so remarkably uncharacteristic of Panamanian society. Of course, we stated at the time that we deplore that kind of violence, wherever it occurs and whoever is the perpetrator. We look to the authorities of the country in question, in this case Panama, to identify the perpetrators and bring them to justice.

That has not happened in this case.

Unfortunately, the investigation of this case was closed without the solution of the crime.

The subcommittee also has expressed concern about recent events affecting Panama's internal political life. Progress toward stable constitutional order and achievement of unimpeded, fully civilian political institutions in Panama was undeniably impaired by the domestic political failure and the forced resignation of Nicolas Barletta last September.

The affair highlighted inherent weaknesses in Panama's civilian political institutions. Those weaknesses are due to a variety of causes. In part, the condition is the result of the time when most important national issues of concern to Panama were significantly influenced or even decided by the United States. In addition, Panama's combined military and police force, now known as the Panama Defense Forces, has enjoyed a measure of continuing influence in political and governmental matters that is undesirable if civilian constitutional rule is to prosper.

In this regard, it is corrosive of democratic government when the police and military forces, or PDF, are not dependent exclusively upon public funds provided by elected civil institutions of government. The PDF engages in business-like activities that appear to provide a perceptible part of its operating costs. This seems to have begun in the Torrijos years, with the laudable aim of preserving government revenue for social programs. But it is a long-range problem that Panama must resolve and will find very difficult.

We do not know how great this problem really is; we can only observe that it exists.

It is not clear whether these activities are consistent with Panamanian law.

The more serious concern, I believe, is that they tend to detract from the effectiveness of civilian government authority. As an objective for strengthening civilian democratic government in Panama, it would appear desirable for the Panamanian Government to provide the necessary operating funds for its police/military institution.

It is important to remember that the Government is in worse financial straits now than it was under Torrijos, that it cannot increase existing public funding of the PDF, and that in this troubled time of drug trafficking and the threat of international terrorism, it would be of questionable service to Panama's interests or ours if the money to maintain law and order were suddenly reduced.

Panama cannot solve this problem by political campaigning or by fiat.

While the canal treaties helped reduce the imbalance in Panama's relations with the United States, they were not designed to address the issues relating to the continuing political influence of Panama's Defense Forces. These issues require an understanding of the relationship between civilian and military elements in Panama's Government, an understanding which is not widespread.

The PDF have not yet become truly a military force. Panama abolished its nascent army in 1904. The institution known successively as the National Police, National Guard, and, now, the PDF, was in the first instance a police force. This police institution served civilian governments historically. Governmentally and politically, the Defense Forces again began as police.

Today, to a very substantial extent, they remain a police force, even as they are asked to assume a greater role as a military defense force.

Even before the canal treaty, and increasingly since then, this force has sought to develop militarized land, sea, and air elements that can participate increasingly as provided in the treaty, with the United States military forces in Panama in the protection and defense of the canal. The Defense Forces seek to prepare for greater responsibilities that will devolve upon them at the expiration of the canal treaty in 1999, when primary responsibility for the canal's defense will be Panama's.

It is strongly in the interests of both countries that Panama be able to implement this responsibility effectively.

In view of the PDF's dual mandate, some observers have suggested divorcing the organization's civilian police functions from its national defense responsibilities as a way of correcting the historical imbalance. To believe, however, as some have suggested, that this problem of political influence can be solved by creating two armed forces in the society may be too facile.

Creating new institutions by itself does not persuasively answer anything; it could merely lead to duplication and competition, which would be wasteful of limited resources. It might create operational inefficiency, and even create more political difficulty than it solves.

The long-range solution to this problem can only come from the gradual strengthening of civilian institutions. Civil government, legislative organs, legal systems and courts, political parties, interest groups, and the media must be able and willing to deal with political questions without recourse to the police/military.

There must be complementary restraint on the part of the police/military force. These institutions must responsibly and professionally execute legitimate public order, internal security, and national defense requirements.

They must develop the restraint to do this in a way that preserves and strengthens, but does not retard or replace, civil institutions of government.

That is a difficult process. There is no quick, easy, or simple path for Panama to take.

It has a systemic problem. It has an institutional problem. As a nation and a society, Panama has serious political and economic problems; the Panamanians also have the capability to resolve them.

We stand ready to assist whenever we can, recognizing that our own interests on the Isthmus are many and significant.

Our interests can only be served effectively by the development of a viable, democratically responsive civilian government that functions in a framework of constitutional order.

We fully support the development of stable, democratic institutions in Panama as the best means of assuring both our long-term interests and those of the Panamanian people. The scheduled termination of our canal treaty relationship in 1999 will not end these shared interests.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Abrams appears in the appendix.]

Senator HELMS. Thank you, Mr. Secretary.

Now I know that Mr. McKinnon has a statement. Might I inquire if others do as well?

Mr. MONTGOMERY. I do not have a prepared statement, Mr. Chairman.

Senator HELMS. Very well.

Mr. McKinnon, we are at your pleasure on this. If you would, however, we would appreciate your summarizing your statement. All of it will be included in the permanent record available to Senators.

Mr. MCKINNON. Yes, Senator.

Senator HELMS. Thank you very much.

You may proceed.

STATEMENT OF RAYMOND J. McKINNON, ASSISTANT ADMINISTRATOR, FOREIGN OPERATIONS, DRUG ENFORCEMENT ADMINISTRATION, ACCOMPANIED BY BONNIE TISCHLER, DIRECTOR, FINANCIAL INVESTIGATIONS, U.S. CUSTOMS SERVICE; AND PETER BELANON, DIRECTOR, SPECIAL INVESTIGATIONS, U.S. CUSTOMS SERVICE

Mr. MCKINNON. Chairman Helms, members of the Senate Foreign Relations Subcommittee, I will try to summarize the prepared statement that I have that has been submitted for the record.

Under the policy guidance of the Secretary of State and the U.S. Ambassador, DEA shares a responsibility for all programs associated with drug law enforcement counterparts in foreign countries.

Specifically, as to DEA's relationship in narcotic enforcement with Panama, I would like to identify that Panama's role in international narcotic traffic revolved around four major issues:

The use of Panamanian banks to launder narcotics-related profits, mostly from third countries;

The use of Panama as a transit country for narcotics in route from South America to the United States;

Third, the use of Panama as a transit country for precursor material, mainly ether, which is used in the production of cocaine hydrochloride;

And, finally, the cultivation of marijuana.

Of primary concern to the Drug Enforcement Administration is money laundering.

One of Panama's chief industries is international banking. In a country slightly larger than the State of West Virginia, with a population of only about 2 million, as Mr. Abrams has stated, Panama has over 120 different banking institutions, and is the most important Euro-banking center in Latin America.

Panama is attractive to the banking industry because it has strict bank secrecy laws that protect customers against account disclosures. Corporations can be set up with ease without government regulation, and the U.S. dollar is the currency of the country.

These factors make Panama an attractive location for laundering the proceeds of illegal narcotic trade without the slightest risk of discovery.

Favorable taxation provisions are also another major enticement.

In May 1985, United States and Panamanian negotiators met to discuss the possibility of a Mutual Legal Assistance Treaty, whereby the United States could obtain information on the bank accounts belonging to drug traffickers. The last round of talks ended early last summer without any progress being made and we have been unsuccessful to date in getting Panama to schedule new talks.

The Panamanian Government, in an attempt at self-policing, has established the Panamanian Banking Association, which has adopted a code of ethics for its members designed to discourage financial transactions that appear to be linked to drug trafficking.

These ethical provisions of the code place a limit of $100,000 on cash transactions unless there is satisfactory explanation. Also, they prohibit banking relations with persons known to be involved in the illegal drug trade. They also require proof of identity to open new accounts.

A problem that we have found with this code of ethics is that a violation of it would lead to expulsion from the banking association, but this would not prevent the bank from continuing to operate within Panama. It would, however, damage its reputation.

Unfortunately, there is an inadequacy in the provision for investigating or enforcing any aspect of this self-policing code.

As a transit country, Panama serves as a major mid-point for narcotics, mostly cocaine and marijuana, moving from South America to the United States, and also for chemicals used in narcotics processing passing from the United States and Europe into South America.

Traffickers go through Panama City as well as the free zone. Narcotics are sometimes stored in warehouses in Panama prior to onward shipment.

Although Panamanians are involved in the trafficking to some extent, most of the actual trafficking is carried out by nationals of other countries, in particular Colombians and Bolivians.

Panama is also a transshipment point for precursor chemicals, particularly ether, passing from the United States and Europe into South America.

At the request of DEA on various occasions over the past few years, Panamanian authorities have seized and destroyed large shipments of precursor chemicals. Two seizures of 40 tons of acetone have been made recently, attesting to Panama's commitment to the interdiction of such material.

Panama has also been used by Colombian traffickers as a transshipment point for bulk methaqualone being shipped to Colombia from Europe and Asia. At the urging of DEA's Panama Country Office, Panamanian authorities have initiated a vigorous campaign at the points of entry and in the free zone to detect and seize these shipments.

Another element that troubles DEA in Panama is that of marijuana cultivation.

Panama, however, recently has had some success in the area of eradication. The climate and terrain in Panama provide areas suitable for the cultivation of marijuana. The primary growing areas are on the Las Perlas Islands, located in the Gulf of Panama. Estimates of total marijuana cultivation in Panama range from 400 to 500 hectares, with an estimated yield of about 1 metric ton per hectare.

The cultivation does not appear to be expanding at this time.

On the lighter, or better, side, in September 1985, the Panamanian defense forces, with assistance from the U.S. Department of State, Bureau of International Narcotic Matters, began a comprehensive effort to eradicate marijuana cultivation through the use of aerial spraying. The operation resulted in eradication of 210 hectares in 5 days of spraying.

This past February, another 340 hectares were eradicated, with another eradication campaign scheduled for July of this year.

Another area of importance to DEA is one of extradition or expulsion of violators.

With regard to DEA fugitives, the Panamanian authorities have been very cooperative in expelling directly to the United States the fugitives caught in Panama, providing that they are not Panamanian citizens. Since Panama is a crossroads country, a disproportionate number of our fugitives appear in Panama. Thus Panama's policy in this matter works to great benefit for the United States.

In conclusion, and in brief summary, I would like to say that I believe in the past year genuine progress has been made in eradication of cannabis cultivation in Panama. We are encouraged that the government intends to continue this eradication effort. There is evidence that Panama is making a genuine effort to better coordinate its interdiction capabilities, and Panama has already demonstrated support by seizing shipments of precursor chemicals and methaqualone.

On the negative side, however, DEA would like to see more cooperation in the area of money laundering. In addition to giving the United States access to bank records, we also would like to see Panama strengthen its own narcotic enforcement program by enhancing local prosecution of significant traffickers.

As in many Latin American countries, very few significant narcotic traffickers are prosecuted within the local courts of Panama.

Mr. Chairman, this has been a very brief summary of my testimony that will be submitted for the record.

[The prepared statement of Mr. McKinnon appears in the appendix.]

Senator **Helms**. Mr. McKinnon, thank you. We appreciate your testimony as we do that of Secretary Abrams.

Suppose we begin with a 10-minute round. I think Senators will be coming and going. I would ask that the bell ring on me at the end of 10 minutes.

Mr. Secretary, last February, Secretary Shultz came to this committee to testify on Contra aid, and he gave us a map—as a matter of fact, as I recall, it was on an easel—which was colored to indicate whether a country is a democracy, a military regime, or neither.

Do you remember that map?

Mr. **Abrams**. Yes, sir.

Senator **Helms**. Panama was placed in the "neither" category.

Can you explain why Panama cannot be so categorized?

Mr. Abrams. Mr. Chairman, we place Panama in a kind of middle group because it is a kind of unique situation. It has all of the democratic institutions in place, and it has a level of personal freedom, in terms of freedom of movement, of the press, and freedom of speech that you associate with a democracy. But we were not willing to put it into the category of democracy because of the degree of military interference with the civilian government.

It is not straight-out military control, such that the military, the PDF, runs the government. But they intervene a lot in the affairs of the government, and the degree of military interference is simply inconsistent with the kind of control by an elected government that you would have to have, I think, before you would be willing to call it a democracy.

Senator Helms. Let's talk about the 1984 elections in Panama. Let me divide my questioning into three parts, the first part relating to the election campaign itself, the second to the voting, and the third to the counting of the ballots and the declaration of a winner.

Let's look at those individually and separately.

Did elements in the military play any role in the selection of candidates by the political parties? If so, what was that role?

Mr. Abrams. Mr. Montgomery may wish to contribute to this answer.

My impression is that the military did not play a large role, certainly, in the selection of Mr. Arias from the opposition party.

Senator Helms. You say no "significant" role?

Mr. Abrams. Well, no role, I think it is fair to say, in his selection as his party's candidate.

Mr. Montgomery. They certainly would not have chosen Mr. Arias if they were in a position to exercise influence.

Senator Helms. How about the campaigning? Was that free and fair? Was the press under the influence of the government?

Mr. Abrams. Again, Mr. Chairman, my impression is that the campaigning was pretty free. The accusations against the military come essentially in the third area which you have listed, that is, vote counting.

My impression is that up to the point of vote counting, there are not many criticisms of the campaign. The parties were able to run a campaign and to go out around the country to campaign, and the newspaper coverage was free in criticism of both candidates, and support of both candidates was found in the press.

I do not think there is much criticism until you get actually to election day itself.

Senator Helms. As far as access, did all of the candidates have a clean shot?

Mr. Abrams. I believe that is true.

Senator Helms. Did the United States provide any assistance to any party or candidate, either overt or covert?

Mr. Abrams. I was not in my current job at that time, but, insofar as I am aware, the United States provided no assistance of any kind to any candidate.

Senator Helms. What about you, Mr. Montgomery? Do you agree with that?

Mr. **Montgomery**. That is my recollection, also, Mr. Chairman.

Senator **Helms**. Was there any evidence of substantial fraud in the casting of the ballots? That is the point you said you were going to get to.

Mr. **Abrams**. Well, this is where the allegations are made.

There were about 600,000 votes cast, and the margin of victory was 1,713 votes.

So, you had an election whose outcome was said to be very, very close.

We said in the Human Rights Report for 1985—this is the document that came out the first week of February, Country Reports on Human Rights Practices—let me read from page 646. "It is now widely accepted in Panama that Nicolas Arditto Barletta did not win the elections in 1984, but, rather, that the PDF engineered his victory by tampering with the vote-counting procedures."

Now, the fact is that it is almost impossible for us to determine, as it was in the case of the Philippines, what the actual vote tally would have been had there been no tampering, or how much tampering there was, or, in essence, whether there was any tampering. It is impossible for us to tell that from the outside.

What is very clear is that Panamanians in substantial numbers believe that there was vote tampering, thus the sentence in the Human Rights Report that "it is widely accepted in Panama."

Farther than that it is difficult to go because then you are, in a sense, getting into detail on a precinct by precinct basis.

But I suppose the most important question to ask is whether Panamanians believe there was tampering with the vote counting. The answer to that question is yes.

Senator **Helms**. Was that in the sealing of the ballot boxes and the opening of the ballot boxes, that sort of thing—stuffing?

Mr. **Abrams**. I don't recall the details.

Do you, Jim?

Mr. **Montgomery**. It occurred during the count, which apparently was very complex. The system was complicated, the tabulation of the exercise Barletta himself called a mess.

It went on for a while, and, as Elliott says, by the time it was over, the margin of victory was 1,700 votes out of 600,000.

The important point is, as it says in the Human Rights Report, if lots of people in Panama do not believe that it was a fair election, that, in and of itself, is important.

Senator **Helms**. And they do not think Nicky Barletta won it?

Mr. **Montgomery**. They do not think Nicky Barletta won it.

Senator **Helms**. Let's talk about Mr. Barletta's removal from the Presidency.

As I understand it, from a technical point of view, he has not formally resigned as President, is that correct?

Mr. **Abrams**. Well, it is a technical question.

I think it is not technically correct, in this sense. The Panamanian Constitution does permit a President to separate himself temporarily from the duties of office for up to 90 days, with the permission of the Cabinet Council and for more than 90 days with the permission of the Legislative Assembly.

Former President Barletta says now that, in essence, he was acting under that provision of the Constitution. But neither the

Cabinet Council nor the Assembly did give its consent to a less than 90-day or a more than 90-day separation. Instead, the Assembly treated his statement as a resignation and swore in his First Vice President as President.

So, I think that while the Constitution of Panama does provide for a temporary separation, he probably did not meet those provisions of law.

Senator **Helms**. So he is out?

Mr. **Abrams**. Yes.

Senator **Helms**. Now, prior to his removal, and just prior to it—I am talking about Barletta—did he say publicly, at the United Nations, that he intended to appoint a special commission to look into the murder of Hugo Spadafora?

Is that correct?

Mr. **Abrams**. That is my memory. Yes.

Senator **Helms**. Did anybody in the political or military sector object to the appointment of such a commission?

Mr. **Abrams**. I don't know that there were public objections, but there were, no doubt, private objections.

Certainly somewhere there are people who committed that crime, or people who know who committed that crime, who obviously would be opposed to any further investigation of it.

Senator **Helms**. Well, as a matter of fact, he was summoned back from the United Nations in New York by you know whom to talk about this commission. Isn't that a fact?

Mr. **Abrams**. I'm not sure if I would say that that was the only reason he was summoned back.

He was summoned back. It was a Friday, as I recall. He was summoned back essentially by the PDF for what ended up being, as I recall it, a "weekend of discussions," sort of marathon talks at the military headquarters.

Senator **Helms**. I know we are getting into rather sticky circumstances here.

Have you talked to Barletta?

Mr. **Abrams**. Since then?

Senator **Helms**. Yes.

Mr. **Abrams**. Yes; he spends a fair amount of time here and I have seen him a couple of times.

Senator **Helms**. Did he tell you about the round the clock sessions?

Mr. **Abrams**. He did tell me about that.

Senator **Helms**. So, as a matter of fact, he was called back and was told to drop that little idea or get out.

Isn't that what he told you?

Mr. **Abrams**. No; he did not put it exactly that way. I think there is something else to add here, and it is this.

The opposition to him and to his Presidency was not confined to the military. You did not, sadly, have a case in which you had a President who was universally regarded as popular and effective in Panama who was forced out by the military. You had a President who I think, by the end, was vehemently opposed, of course, by the opposition party, which claimed all along that they had been cheated out of the Presidency, and who was regarded by many Panamanians as having been an ineffective president.

So, the opposition to his continuing in office went far beyond the PDF.

Senator HELMS. I see I am at the end of my round.

Senator Trible.

Senator TRIBLE. Mr. Chairman, I will not take the full 10 minutes that you have so generously allotted to members of the committee. I just want to ask about the Mutual Legal Assistance Treaty.

Secretary Abrams, can you spell out more completely than your opening statement the status of those negotiations and your sense of what the future might hold?

Mr. ABRAMS. Yes; the problem in these negotiations is, I think, a simple one.

What we are getting at here is bank secrecy. The laundering is made possible largely by bank secrecy.

The reason the Government of Panama is reluctant to tangle with the question is the banking industry is, I think, the largest single employer in Panama. Certainly it now employs more people than the canal.

So, they do not want to kill the goose that is laying golden eggs, and from their point of view, they want to be sure that there is some kind of limit on the kinds of cooperation with us that does not drive out the entire banking industry that they have built up. The unemployment rate in Panama is now something like 20 percent, so they do not want to lose jobs.

From our point of view, we are not trying to close down that industry, either, but we do need to get access to information about drug trafficking, about drug money laundering.

Initially, we had approached the Panamanians about this. As the negotiations continued, our own position, I would say, was firmer and firmer. We wanted to be sure we did not sign a treaty that did not do us any good, that did not actually get at drug money laundering in Panama, that did not give us access to the kind of information we needed.

We spent a good part of I guess I would say the first half of last year getting our own ducks in line. I remember discussing this in Panama with President Barletta, when he was President, and talking to him about how we really needed a fairly extensive treaty to be sure we could get at the drug money.

Last fall, we really did have our views pretty well set forward, and things have gone more slowly since then that we would have liked.

Now, you can argue that well, they changed Presidents, and there has also been a change of Ambassador in both places.

As you know, Ambassador Davis was here, and Panama has a new Ambassador in Washington.

We have already discussed this with their Ambassador, and Ambassador Davis has already discussed it in Panama City. Our hope is to push ahead very fast now.

Ambassador Davis has told the Government of Panama that it is the top priority item on our agenda right now.

So, our hope is that we can push ahead.

We share the DEA view as presented in Mr. McKinnon's testimony, that it has gone too slowly and that both sides should really get together on this quickly.

Senator TRIBLE. With whom does one negotiate in order to accomplish this task?

Is the civilian government prepared and capable of entering into this kind of agreement?

Mr. ABRAMS. Well, it has to be the civilian government, the Minister of Justice. Effectively, we have people from the Justice Department, who do the negotiating for us, and they have a Ministry of Justice, too. If there are political pressures needed, then to the extent that we need to keep reiterating our commitment and keep pushing, we will do so at any level that is needed.

Obviously, there are people in Panama who do not want this to happen. There is drug money laundering there, as Mr. McKinnon said, and those people will fight. There is a lot of money involved, so they are perfectly willing to use it to pay bribes and so forth to prevent exactly this from happening.

That may have something to do with the delay.

Senator TRIBLE. When do you anticipate those negotiations will be resumed?

Mr. ABRAMS. Do you know the answer to that?

Mr. MCKINNON. No; I don't.

Unfortunately, they ended in the late summer or early fall, and we have had no indication to date as to when they would desire to renegotiate.

Senator TRIBLE. Would this be your highest priority, Mr. McKinnon?

Mr. MCKINNON. I would say, from the standpoint of law enforcement, that we feel in Panama we are getting excellent cooperation in virtually all other areas. So, in Panama, yes, absolutely. We feel that it is imperative to damage the cartels through taking away their finances.

Senator TRIBLE. Thank you, gentlemen.

Thank you, Mr. Chairman.

Senator HELMS. Thank you, Senator Trible.

Excellent cooperation from whom, specifically? Who do you deal with?

Mr. MCKINNON. The narcotic division of the Panamanian Defense Force.

Senator HELMS. The military.

Mr. MCKINNON. The individual that we do most of our business with is an individual by the name of Maj. Luis Quiel, who is assigned as a liaison officer with us from the narcotics division.

Senator HELMS. I was just trying to draw a distinction between the military and civilian areas.

Mr. Secretary, let's get back to Nicky Barletta.

He went to the United Nations. He made a decision that he was going to appoint an independent commission about the Spadafora murder. He got a telephone call and went down to Panama, had a cup of coffee, and said, "I declare, I think I will separate myself."

Is that the way it happened?

You don't believe that, do you?

Mr. ABRAMS. That is not the way it happened.

As I recall, there were 14 hours, consecutive hours, of discussion on that Saturday. I think I have the days of the week right. I think he went back down on a Friday night or early Saturday morning. I think the 14 hours took place on Saturday, the following day.

As a matter of fact, Friday was the day that we signed the United States-Japan-Panama alternative study proposal, and Secretary Shultz and President Barletta met that day at the United Nations. I think it was that afternoon or that night that he went back to Panama and then he resigned either late Saturday night or early Sunday morning, after lengthy discussions. Obviously he did not want to resign but was forced to do so.

Senator HELMS. All right.

Let me get back to whether Panama is a democracy or a military regime, and you say it is neither, that it is in between.

What percentage of the Panamanian national budget is allocated to the defense forces or functions controlled by the defense forces?

Mr. ABRAMS. That is a small figure, partly because the PDF, as I noted in my statement, gets some of its own financing through activities that do not come through the national budget.

I would have to provide that figure. But it is a comparatively, and in a sense, misleadingly, small figure as to the percentage of the total national budget that goes to the PDF.

We will have to supply the number for the record.

[The information referred to follows:]

OFFICIAL BUDGET FOR PANAMA DEFENSE FORCES

The official budget for the Panama Defense Forces for calendar 1986 is lumped together with other governmental operating funds in the $121 million budgeted for the Ministry of Government and Justice. The PDF portion of the Ministry's budget is believed to be about 80 percent of the total, or $96.8 million. An article in La Prensa of December 15, 1985 gave the PDF budget for 1986 as $104.7 million, but did not give its source or method of calculation. Given a total Central Government budget of $1,649.4 million for 1986, this means that the PDF share of the national budget is around 6 percent.

Mr. ABRAMS. I am told by Mr. Montgomery that it is about $100 million, and the budget is about $2 billion, which would make it something like 5 percent.

Senator HELMS. So you would not say that it is substantial, then?

Mr. ABRAMS. Well, I think that is a small figure in terms of the national budget, again, in part because there is outside financing.

Senator HELMS. They are involved in all sorts of free enterprise, moneymaking things, is your point.

Mr. ABRAMS. Yes.

Senator HELMS. Well, including that, how much money do they spend?

Mr. ABRAMS. I don't have the answer to that, Mr. Chairman.

Senator HELMS. Is that available?

Mr. ABRAMS. I would imagine that it is available and that we could supply it, that it would be a part of the public record in Panama, what the total budget is.

[The information referred to follows:]

ACTUAL EXPENDITURES OF PANAMA DEFENSE FORCES

The actual expenditures of the Panama Defense Forces are not a matter of public record in Panama, and we have no figures on them. We believe, however, that they

are substantially greater than the amount shown in the national budget and provided by the national treasury, due to the PDF's independent business income.

Mr. ABRAMS. I would have to point out also that it is not the equivalent of our military budget because they also perform as the police force, the customs service, the border patrol, and so forth.

Senator HELMS. All right.

I am curious about something.

How do the Defense Forces influence or control these groups? Let me go down a list of agencies: the Ministry of Government and Justice?

Mr. ABRAMS. I don't think I can answer the question if you take it ministry by ministry. There are a few ministries—and I am not sure if I have the list here, but I will look for it—very few, in which there is, in fact, a military man as the Minister. But that is not typical.

As I recall, there are only one or two, in addition to General Noriega, only one or two Ministers in the Cabinet who are military.

I think the model is more or less like this. The Government functions. There is a government with a legislative and executive branch. It, in a sense, goes about its business except that there are areas where the PDF will actually intervene, presumably by letting it be known that it has a particular interest in that area.

Then the Minister in question or his staff might back off from making a decision he otherwise might have made.

So I think conceptually, it is not that the military makes all these decisions and is in control of the Government, as would be the case in a military dictatorship or a full military government. Rather, it is a civilian government with military interference in areas of interest to the military.

Senator HELMS. How do you know that?

Now I do not question that you know it, but how you know it?

Mr. ABRAMS. Oh, mostly through talking to civilians in the Panamanian Government and talking to opposition figures.

I don't think anybody maintains that the military dominates all aspects of decisionmaking or that its personnel are in decisionmaking positions in each branch of government. Rather, I think the complaint of many Panamanians is that when it comes to an area of interest or concern to the military, in that area they would let their position be known and people would be inclined to back off or be pushed back from making a decision adverse to the interest or the views of the military.

Senator HELMS. So the things in which the military has an interest in could be anywhere between 0 and 100 percent, couldn't they?

Mr. ABRAMS. Yes.

Senator HELMS. You have already said that immigration and passport areas are run by the military, and I believe you said customs is also.

How about the port authority? Do they control that?

Mr. ABRAMS. Yes.

Senator HELMS. How about civil aviation?

Mr. ABRAMS. I believe that is correct.

Senator HELMS. The answer is yes?

Mr. ABRAMS. Yes.

Senator Helms. Then there is Transit S.A.—a trucking firm in the free zone—is this one of the entrepreneurial things of the defense crowd? According to my information, the Defense Forces own this trucking company and it has a monopoly.

Is my information correct?

Mr. Abrams. Let me check?

[Pause.]

Mr. Abrams. I'm not sure about the ownership of that company. It is the case that they do perform what you might call the police function of——

Senator Helms. Can you look into that?

Mr. Abrams. Yes.

[The information referred to follows:]

Examination of State Department records does not establish PDF ownership of a trucking firm in the Free Zone.

Senator Helms. I am not trying to ask you questions that you cannot answer. Anything you cannot answer you can send us for the record.

Mr. Abrams. Yes, we will supply it.

Let me just say for this record that there are active duty officers in the Department of Treaty Affairs, in the Foreign Ministry, and in the Parks and Resources Ministry.

The Port Authority, which had been headed by an active duty officer, is now headed by a civilian. But I think, when looking at the scope of the PDF, if you think of it as the only police force in Panama and think of every function performed not only by the U.S. military but all of the various police forces that we have—the Customs Service, INS, et cetera—it does all of those. So its reach is much broader than what you would customarily think of a military force as being. Its activities really get involved in a lot more areas of Panamanian life.

Senator Helms. But I am more interested in the monopolistic aspects of it. According to my understanding, this monopoly does not pay the duties that others have to pay.

How about the Panama railroad?

Mr. Abrams. I believe the railroad is still independent. It has been asserted that the Panama railroad has, in a sense, been taken over by the PDF, but I think that is inaccurate.

It has a great influence over the railroad. Not too long ago, there was a labor dispute where the PDF intervened, and in essence, settled the labor dispute. But, again, I would say that it is more the usual model. It is not that the PDF controls the railroad, period. It does not, but, rather, it has the ability to intervene in the management of the railroad on any issue that is of particular interest to it, as happened in this labor dispute.

Senator Helms. You have alluded several times to the fact that the defense forces actually are the defense forces as we view them, plus the police forces, et cetera.

They have traffic police, tourist police—are these separated from army functions, or do you know?

Mr. Abrams. They are not really separated in this sense.

There are separations within the PDF. But as you go up the command structure, the higher you get, the more they are joined.

In fact, one of the problems that we face with respect to defense of the canal is, in a sense, turning the PDF from a police force into a military force, which is their goal, too, in taking over defense of the canal. But there is a lot of training that we are going to have to do.

I should add that part of the model for this, in essence, was us; that is, in the Canal Zone, the U.S. military did a lot of these functions, and then the PDF took them over.

So, we, too, had this as a military function.

But I think the real answer to your question is while there are specializations within the PDF, they are joined. It is one organization.

Senator HELMS. Who operates the jails?

Mr. ABRAMS. The PDF.

Senator HELMS. The department of motor transportation?

Mr. ABRAMS. I'm not sure of that.

[Pause.]

Mr. ABRAMS. Yes; the PDF.

Senator HELMS. Let me go back to the railroad.

Am I incorrect in something. Some staff members of this committee had an audience with Noriega and he thinks he owns that railroad.

Is he wrong?

At least that is what he told them. He said that nobody else was qualified to run it.

Mr. ABRAMS. Well, those are two different issues.

Senator HELMS. Have I stated that right? Am I correct?

Mr. MANION. Yes, sir.

Mr. ABRAMS. The railroad is not run, formally speaking, by the PDF, in the sense that there is a civilian service that runs the railroad.

But it is the case, as I noted, that the PDF is able to intervene whenever it wishes to do so.

Again, the Panama railroad precedes the existence of the canal, and during the period when we were in control of the Canal Zone, I believe the U.S. military had a significant say in that. I am trying to remember the book, "The Path Between the Seas." I think we bought the railroad and it was merged under the control of the military, too.

Again, I would distinguish between running the railroad, in the sense that there is a division of the PDF called the Panama Railroad, and the other, more usual, model of interference in the running of the railroad when the PDF thinks that it has an interest in doing so.

Senator HELMS. Well, I think I could save both of us time by asking you to identify those activities that the defense forces do not operate and control. [Laughter.]

Senator HELMS. You have been very candid and we may want to follow up.

I'll tell you what, Mr. Secretary.

With all of the things that you have identified that the defense forces control, if these people were not "Simon Pure"—as I am sure they are—if they want to get into the drug business—which I am sure they do not—they would really have all of the mechanisms right at their fingertips.

And who is going to challenge them? Who will challenge them?

Mr. **Abrams**. There is no institution in Panamanian society which is equally powerful.

Senator **Helms**. That's correct.

Mr. **Abrams**. There is plenty of dissent, publicly expressed. That is, there is an opposition press, there are opposition politicians, and there is a lot of criticism of the current system to be heard in Panama. That is to say that if one goes down there, it is not a situation, to take the obvious nearly example, like Nicaragua. In Panama, there is a lot of opposition to what is going on. You can read about it all the time.

There is freedom of the press, freedom of speech, and there is a lot of dissatisfaction. There are many Panamanians who believe that the PDF has much too great a role and would like to evolve a system of much less dominance by the military and complete control by civilians, complete civilian rule, which they obviously do not have right now.

You hear that a lot in Panama.

Senator **Helms**. I'll say you do.

Some months ago, Secretary Shultz was here, at a public hearing, and I mentioned during my questioning period that I had very reliable reports that the Nicaraguan Government had been secretly negotiating for some time with the Hondurans in order to come to some sort of arrangement between the two of them.

I recall that I mentioned to the Secretary that I had information indicating that General Noriega, of Panama, had been acting as a mediator for these negotiations, and that General Noriega had arranged meetings for the Hondurans and Nicaraguans in Venezuela, Panama, and even over in Cuba, with Cousin Fidel Castro.

Secretary Shultz told me in response that he was unaware of any such meetings taking place.

I am sure that he stated it as he knew it at the time.

What I am getting at is this. I think it was this past Friday evening that NBC carried a story on the national news saying that the Hondurans and the Nicaraguans had been secretly negotiating for more than a year. They reported that President Ortega even called the President of Honduras, Azcona, to tip him off before the Nicaraguan troops invaded Honduras to attack the freedom fighters.

Now, has the State Department gotten some information since the day I mentioned this subject?

Mr. **Abrams**. None. That is, I have no information leading me to believe that NBC report.

Senator **Helms**. You don't think it is accurate?

Mr. **Abrams**. I do not think it is accurate.

It is the case, let me say, that there are contacts between Honduras and Nicaragua all the time. For one thing, at every Contadora meeting or meeting associated with it, they meet at the foreign minister level. At the inauguration of President Ascona, Ortega was present. So there are plenty of contacts between the two countries, and they have diplomatic relations.

But this thing that NBC was talking about, I have no information leading me to believe it.

It followed, I must say, by about 2 weeks NBC's "Friday Night Report" that this Government, the U.S. Government, had threatened to withdraw all economic assistance from President Ascona on the question of the Nicaraguan invasion of Honduras. So it seems to me they are running a pattern here of interesting and false "Friday Night Reports 'from Central America.

Senator HELMS. Well, has anybody from NBC talked to you about it?

Mr. ABRAMS. No.

They may have talked to somebody else in the bureau, but nobody talked to me about it.

Senator HELMS. The official party in Panama—I guess I would be referring to the one supported by the defense forces—the Revolutionary Democratic Party—is that the name of it?

Mr. ABRAMS. Yes.

Senator HELMS. It was founded by Torrijos, wasn't it?

Mr. ABRAMS. Yes.

Senator HELMS. I believe it was founded along with a group of advisers from the official Mexican party, the PRI.

The intent was, ostensibly, to pattern the Panamanian party after the Mexican PRI.

Is it accurate to say that?

Mr. ABRAMS. Oh, I think it is generally accurate. What it had going for it was the tremendous popularity of Torrijos in Panama.

Senator HELMS. Back in February, Arthur Davis was confirmed by the Senate to serve as Ambassador to Panama. In the reports reaching us—and I have some clippings which I had translated—a number of prominent Panamanian citizens, including the Foreign Minister and the PRD, made public statements harshly attacking Ambassador Davis and asking for him to be declared personna non grata.

Did you hear about that?

Mr. ABRAMS. Yes.

Senator HELMS. These statements apparently were based on some of the comments made by Ambassador Davis during his confirmation hearings right here in this room.

What were the Panamanians so concerned about with Ambassador Davis?

You know, I sat right here and heard the man. I don't know why anything that he said should have created an explosion like that.

Mr. ABRAMS. Well, of course, we don't either.

I think part of the problem was that the Panamanian press selectively edited his comments and presented him as being a man who was proud of intervening in Panamanian internal affairs and who had promised the committee that he would intervene in Panamanian internal affairs and sort of push the Government of Panama around.

Now, that is false. That is not the kind of man he is. That is not our policy.

So we were glad the way things turned out, that is to say, with Ambassador Davis being in Panama.

I think it was a kind of tempest in a teapot, which blew over in a couple of weeks—in fact, maybe in a week.

Senator **Helms**. Nobody asked you to apologize for him, did they?

Mr. **Abrams**. No, and we did not apologize.

Senator **Helms**. Or to retract anything that he said?

Mr. **Abrams**. Oh, I suppose there were calls in the Panamanian press for apologies.

Senator **Helms** No. I'm talking about the State Department. Did the State Department apologize, retract, or say oh, boys, we are so sorry about that?

Mr. **Abrams**. No.

What we have done, in a sense in response to some of the things that appeared in the Panamanian press, is to do what I learned here in the Senate when I was a staffer, and that is that we corrected the record in a couple of places in an effort to make the testimony somewhat clearer.

None of us ever says exactly what he wishes he had said in terms of emphasis. So we have done that.

I hope and I think that the thrust of the testimony is unchanged. The thrust of the testimony is correct and reflects U.S. policy.

Senator **Helms**. At the time of all of the harsh comments, there was a report published that the Panamanian Foreign Minister requested a meeting with Secretary Shultz. Did they meet?

Mr. **Abrams**. No.

Senator **Helms**. No meeting was held?

Mr. **Abrams**. No.

In fact, the Foreign Minister did not—well, now, did he come here?

[Pause.]

Mr. **Abrams**. My memory fails me here. There was a meeting and the reason I did not remember it is I was not present at it. I was out of the building at the time or out of the city at the time and did not attend the meeting between Secretary Shultz and the Foreign Minister.

But there was a meeting. He did come here and there was a meeting between the Foreign Minister and the Secretary.

Senator **Helms**. There was a meeting?

Mr. **Abrams**. There was a meeting.

Senator **Helms**. The result being—what?

Mr. **Abrams**. They did discuss the situation. The content of the meeting, in essence, was to go over this problem. The result of the meeting was statements were issued by both parties that made it clear that we do understand each other and, that being the case, there was no reason for delaying the arrival of Ambassador Davis.

Senator **Helms**. But no apology? No retraction?

Mr. **Abrams**. No; that's correct—no apology.

You might call it a clarification, that is, an opportunity for the Foreign Minister to say the Panamanian press is saying that you believe in this kind of intervention, and for us to say well, that is not what Ambassador Davis said if his testimony is read correctly, and it is neither our policy in Panama nor anywhere else. And statements were issued which clarified that there is no problem here.

Senator HELMS. And at no time following Ambassador Davis's testimony, during his confirmation hearing or subsequent thereto, did anybody at the State Department try to change the transcript of what he said?

Mr. ABRAMS. Well, there were changes in the transcript. There are changes. I am not actually sure what the formal status is.

We have sent back to the committee a document, the raw transcript with changes in it.

But, as I say, it is not the intention of those changes to change the import of what he said.

Senator HELMS. All right.

I'm going to try to hurry this along because I have kept you here already with about 45 minutes of questions.

There have been a lot of highly publicized cases about Panama's having been used, purportedly, allegedly, as a base for arms trafficking. You are familiar with those.

This was particularly evident during the Sandinista revolution, when it was alleged time and time again, and very persuasively from where I sat, that Panama was trafficking these weapons to the Sandinistas.

But there are other cases, and I believe the evidence to be fairly good. For example, there was the case of Cesar Rodriguez, a Panamanian citizen, who had a plane crash in El Salvador in 1980. I understand that plane belonged to the PDF.

Do you know anything about that?

Mr. ABRAMS. No.

I am unfamiliar with that case, Mr. Chairman.

Senator HELMS. In any case, that plane was full of weapons and ammunition intended for the Salvadoran guerrillas.

Do you know of other cases of arms being smuggled to Latin America through Panama?

Mr. ABRAMS. I cannot name any other cases now. But it is our general impression that there is a fair amount of arms trafficking through Panama.

Senator HELMS. A fair amount?

Mr. ABRAMS. Yes.

Money and guns move through Panama—it is a commercial center—for legal purposes and for illegal purposes.

Senator HELMS. To this day?

Mr ABRAMS. Yes.

Senator HELMS. During the Torrijos years, the PLO opened an office in Panama.

Is that office still there?

Mr. ABRAMS. I'm not sure.

[Pause.]

Mr. ABRAMS. We will have to give you an answer for the record. None of us is really sure whether it is still open.

[The information referred to follows:]

According to our most recent information (August 1985), there is no PLO office in Panama.

Senator HELMS. Let me tell you that I do not want to get into things that are too sensitive in a public hearing. We may ask some or all of you to meet with the committee privately, so that we will not run the risk of divulging classified information.

If I touch on anything that is classified, you raise your finger.

What about Panama's ties to Libya?

Mr. **Abrams**. There is a so-called Libyan People's Bureau in Panama.

Senator **Helms**. Are those pretty strong, formal relations?

Mr. **Abrams**. Well, there is a relationship. If it were another country, a normal country, you would view the size of their embassy in Panama without concern. I think it has nine—give or take a couple—usually it is eight or nine people. But, given the nature of the Libyan regime and its activities, it is, needless to say, a source of very great concern to us that that office is open in Panama.

Senator **Helms**. I believe that the President of Panama last week condemned President Reagan and our Government for the Libyan bombing—is that correct?

Mr. **Abrams**. I don't have the text in front of me.

Senator **Helms**. I have it somewhere in my office. I did not bring it.

Mr. **Abrams**. My memory is that it was one of the milder responses. It was more of the standard, evenhanded "we condemn violence on all parts 'type of statement that we got from so many dozens of world leaders.

Senator **Helms**. Well, maybe I had better read it again.

What other terrorist groups, if any, are given haven or permission to travel in and out of Panama?

Mr. **Abrams**. I am unaware of any offices of other groups, in the sense that there is an official presence of the Libyans. But there is a fair amount of use of Panama as a waystation.

Again, the upside of that is, for the Panamanians and for us, that it is a great commercial center, and the downside is that those facilities, transportation facilities, financial facilities, commerce—for example, we were talking about guns—are also utilized by illegal armed groups, terrorist groups, guerrilla groups from the hemisphere.

The openness of Panamanian society and trade benefits them as it does people engaged in legal activities.

Senator **Helms**. Does that give you any concern?

Mr. **Abrams**. Sure. It gives us concern.

Senator **Helms**. How much?

Mr. **Abrams**. Well, it is hard to measure.

Part of the problem we have is it is hard to measure exactly how much of it is going on.

With the arrival of the Nicaraguans on the scene, it is possible for groups to deal directly with Nicaragua, and that probably lessens the concern one needs to have about Panama as a waystation. But, we have a concern about the continuing use of Panama for these purposes.

Senator **Helms**. Elliott, I am not trying to "mousetrap" you and I am not trying to debate with you. But you talked about the media situation in Panama as being fairly open.

Do you think the Panamanian people know about all this—generally?

Mr. **Abrams**. I think they do, really.

There is a fair amount of discussion. There is a lot of discussion. Every day in Panama you can read criticism of the current system and the current government in the press. Every day.

So I think there is a widespread awareness.

Senator HELMS. Do they approve of it?

Mr. ABRAMS. Pardon?

Senator HELMS. Do they approve of it?

Mr. ABRAMS. I think you would have to say that they don't approve of the use of Panama by, for example, guerrilla groups.

On the other hand, I think there is a widespread concern in Panama that any actions taken to restrict commerce—for example, to restrict banking—will not have a deleterious impact on the economy by restricting legal activities as well.

So I would venture the guess—and it is a guess—that there are mixed views in Panama about cracking down.

Senator HELMS. Well, one item that I hope there is not a whole lot of disagreement about down there, and we have alluded to it this afternoon is that of Dr. Spadafora.

After this I am going to wind up because I know you have to go. You have seen the pictures of Dr. Spadafora's corpse?

Mr. ABRAMS. Well, I have avoided seeing the pictures, but I have had verbal descriptions.

Senator HELMS. They were thrust at me and I did not know what I was looking at at first. I cannot think of anything more horrible than what was done to that man, whose only crime, as I understand it, was doing exactly what Alexander Solzhenitsyn did, except on a lesser scale—try to dissent.

Do you know where Dr. Spadafora was last seen alive?

Mr. ABRAMS. He was last seen alive, as far as I am aware, on September 13, in the custody or being taken into custody by PDF personnel in Western Panama. Then his body was found across the border in Costa Rica the following day, the 14th of September.

Senator HELMS. As a matter of fact, he was last seen being taken off a bus. Is that correct?

Mr. ABRAMS. I think that is correct.

Senator HELMS. By two guards from the PDF.

You know, just in the name of humanity, I have to ask what is the status of the Government's investigation into this murder of Dr. Spadafora?

Mr. ABRAMS. There was an investigation by the Attorney General of Panama, which was concluded. It was inconclusive. That is, the investigation ended with the conclusion that they could not tell what had happened.

Three members of the PDF were named in a newspaper as being involved in the murder.

But, in February, a local court, that is, a court in the province where this had taken place, ruled that there was insufficient evidence to proceed further against them, and that decision effectively meant, that February 7 decision, that there is no investigation of the case going on—as of early February. It closes the case in the absence of new evidence.

There is disagreement.

As I said, it was two to one. The dissenting judge argued that there were a number of still open questions.

Panama's Attorney General has stated that he thought Spadafora was killed in Costa Rica. The Costa Ricans believe he was killed in Panama and that his body was dumped into Costa Rica.

Our position is one of extreme disappointment that the people who murdered Spadafora—and, as you say, in an open hearing you would not want to go into how that was done—we're extremely disappointed that this crime goes unpunished and that the authorities in Panama have evaded what we would view as their responsibility to continue investigating this unspeakable crime.

Senator HELMS. Well, then, that takes us full circle back to Nicky Barletta and that call he got when he was in New York, following his announcement there and his commitment to the Spadafora family that he was going to create an independent commission.

Is it unreasonable for me to assume that that is the reason, the main reason, or at least the impetus for removing Barletta?

Mr. ABRAMS. I think it is more accurate to say that it is the general view in Panama that it was the straw, or the hammer, that broke the camel's back. That is, there was already widespread dissatisfaction with Barletta's leadership and with some of the economic moves he was taken—which, by the way, we supported.

So, he was not, as of then, as of September, a popular President. In reading the Panamanian press, there was a lot of discussion of whether he was going to be able to continue as President.

What he did, interestingly, was he did not call for an independent commission to investigate the Spadafora murder. He rejected the idea of an independent commission. He felt that was unconstitutional.

What he wanted to do was to get a special advisory committee to investigate, to assist the Attorney General in investigating—an idea which was too weak for the Spadafora family. They rejected that idea.

But I think it is a widespread view in Panama that that weaker proposal was, nevertheless, too much for many in the PDF and that that was what finally led them to decide to try to force him out.

So I think that you have to start with the proposition that his hold on power had been weakened when that weekend came. But I think it is fair to say that the common view in Panama is that his call for a further investigation of the Spadafora case did lead to his being forced from office.

Senator HELMS. By whom?

Mr. ABRAMS. Again, I think the common view in Panama is that he was forced out of office by the PDF.

Senator HELMS. The PDF.

What is the constitutional problem with an independent commission?

Oh, strike that. I am not going to ask you to comment on that.

Mr. ABRAMS. But I think I can answer the question.

He said that he felt that under the Constitution, only the Attorney General could investigate.

Senator HELMS. Oh, I see.

Mr. ABRAMS. So, he was going to create one under the Attorney General, rather than independent of the Attorney General.

Senator HELMS. Well, that sort of is ancillary, anyhow, because what prompted the telephone call saying to come home, was his making public his commitment to the Spadafora family.

I think you are right that he did not say anything about appointing an independent commission. He just said he had made a commitment to the Spadafora family, and that is what did him in—among other things.

Incidentally, I am not carrying Barletta's water one way or another. I can take him or leave him.

Now, some weeks ago, a brother of Dr. Spadafora, Winston Spadafora, was here and attended a hearing. I had a cup of coffee with him afterwards.

He is a nice fellow. He has been leading a series of nonviolent activities along with thousands of Panamanians, who are awfully concerned about the Spadafora case.

Are you aware of any attempts on the life of Winston Spadafora?

Mr. ABRAMS. On the life of Winston Spadafora?

No, I'm not. I guess my memory is correct.

Senator HELMS. Well, we have a report, independent of Winston Spadafora, that there were two bombs placed in a location where he and his advisers meet each day.

Now, the Attorney General who closed the Spadafora case—and this is my last question—where is he now? He is not Attorney General, is he?

Mr. ABRAMS. I am unsure of the answer to that.

Senator HELMS. Is he not on the Supreme Court?

Mr. ABRAMS. That's correct. He is not the Attorney General anymore.

Senator HELMS. He is on the Supreme Court?

Mr. ABRAMS. Correct.

Senator HELMS. All right.

I may have three or four other questions that I will submit to you in writing because I have some concern about classified information and do not want to get into that minefield.

Mr. Secretary, I do appreciate your coming and being forthright in your answers.

Mr. ABRAMS. Thank you.

Mr. Chairman, if you want to do a closed session or just have a private meeting with members of the committee, I am at your disposal.

Senator HELMS. Thank you very much.

I would want to talk to the distinguished chairman of the Foreign Relations Committee and let him have input inasmuch as he is the boss-man of this committee.

We will be glad to have you stay.

Now I have some questions that I want to ask our other distinguished witnesses.

We will be glad to have you stay or leave, whatever.

Mr. ABRAMS. Well, I ought to stick around to see what people are going to say about me.

Senator HELMS. All right.

That is always a wise course around this place.

Mr. McKinnon, we will try to make this as brief as possible, and I appreciate your patience. But it would have been just as long if other Senators had been here. I just took up their time.

The Hearst newspapers recently reported that there had been a steady trend in the increase of cash flowing through the Panamanian banks. I believe you referred to that yourself.

Mr. Royce, a reporter for Hearst, stated that this cash-flow was far in excess of Panama's needs. I don't know how he knows that.

He reported that the legitimate need for cash in Panama—cash—is about $100 million a year, the amount that the Federal Reserve delivers to Panama. And yet he says that the transfers from the Panama National Bank to the Federal Reserve have been very interesting.

In 1980, there was $250 million transferred to the Fed; in 1981, $593 million; in 1982, $1 billion; in 1983, $840 million; and in 1984, $1.1 billion; and in 1985, $1.4 billion.

Are those roughly correct?

Mr. McKinnon. I am sorry, Mr. Chairman, but the Drug Enforcement Administration does not follow the exact dollar figures.

Senator Helms. I did not know whether you had seen the report and maybe checked on it.

Perhaps somebody would confirm or correct those figures that were given.

[The information referred to appears in the appendix.]

Senator Helms. Well, let's assume that this pattern is about right.

Does this suggest to you, as a top professional drug enforcement officer in our government, that a large amount of unlawful cash is being laundered through the Panamanian banks? I think you really have answered this question before, but I guess I want to have an answer in relation to these figures.

Mr. McKinnon. Yes, Mr. Chairman.

DEA speculates that a considerable amount of narcotic funds are being laundered through Panamanian banks.

Senator Helms. I might ask the Customs people if they can confirm those figures.

Ms. Tischler. Yes.

We have confirmed it. Much to our chagrin, there definitely appears to be a large amount of money returning from Panama, only modified when there is, in fact, a dip in the amount coming back from Panama by a growth in the amount coming in from Colombia. So they appear to balance each other out.

Senator Helms. That sort of makes clear what is going on, doesn't it?

Ms. Tischler. Well, in the past 6 months, we have seized approximately $16 million outbound to Panama, in cold cash. So you can just imagine what is gong down there.

Senator Helms. Let me suggest that anybody who has a comment or an answer to my remaining questions should just chime in, if you will.

You have all been very helpful and I appreciate it.

Is either of you familiar with the case of the First Inter-Americas Bank in Panama?

Mr. McKinnon. Yes, Mr. Chairman.

Senator HELMS. Is it true that this bank was closed in March 1985 because it had become a center for drug laundering?

Mr. McKINNON. Yes, that is correct, Mr. Chairman. I believe it was in November 1984.

Senator HELMS. This bank was owned not by a Panamanian. Wasn't it a Colombian? Is that correct?

Ms. TISCHLER. Yes.

Mr. McKINNON. Yes.

Senator HELMS. Do you think the problem of drug cash—I guess that is the way to describe it—being laundered in Panama is decreasing, despite the closing of the First Inter-Americas Bank, or is it increasing?

Mr. McKINNON. We would estimate an increase, sir.

Senator HELMS. An increase.

Panamanian Cargo Airline, INAIR, are you familiar with that?

Ms. TISCHLER. Yes, sir.

Senator HELMS. It went out of business after a cocaine scandal, is that correct?

Mr. McKINNON. That's correct.

I believe Customs has more details on that.

Ms. TISCHLER. They went out of business, sir.

There was a case that Customs and DEA cooperated on. There is approximately $147 million that was carried outbound by one individual to Panama to launder it, after we, in fact, stopped his business cold. The INAIR situation was a spinoff from that particular case, where, in fact, the individuals who were ranking officials in the corporate structure were caught trying to transport cash or conspiring to transport cash to Panama and launder it.

Senator HELMS. Now, where was INAIR based?

Mr. BALONON. That company was based in Panama.

Senator HELMS. I understand that. But was it at the Panama Airport?

Mr. BALONON. No, sir; it was at a small airport for private aircraft. It was Paitilla Airport.

Senator HELMS. Did it have any security?

Mr. BALONON. The airports in Panama are secured by the Panamanian Defense Forces.

Senator HELMS. So this Panamanian Cargo Airline, which went out of business after a cocaine scandal, was given security by the PDF, is that right?

Mr. BALONON. Yes, sir.

All the airlines, all the companies are. You have Immigration and Customs, which are both handled by the Panamanian Defense Force.

Senator HELMS. We have reports that the cocaine seized in Miami aboard the INAIR cargo plane was in some freezers being transported from the free zone.

Is that correct?

Ms. TISCHLER. I believe that is correct, sir.

Senator HELMS. How many people were arrested for this crime?

Ms. TISCHLER. They got two individuals for the money laundering part of the arrest. They were both officials of the airline.

Senator HELMS. Were they Panamanian or Colombian?

Ms. TISCHLER. They were Panamanian.

Senator HELMS. Both of them. I am interested that you said there were two. My information was that there was only one arrested and that he was a Colombian turned over by the defense forces. But you know more about it, I suppose.

Is it likely that only a couple of people were involved in this enormous business?

Ms. TISCHLER. Sir, we have found across the board with the enforcement services when there is a conspiracy afoot, usually it is more than two people. So, if you are asking for a best guestimate, probably there were more people.

Senator HELMS. Last month, two Panamanians were murdered in Colombia in connection with drug trafficking.

Now it has been reported pretty generally in Latin American newspapers that one of them was a son of the immediate past commander in chief of the defense forces, Ruben Dario Paredes.

Is that name familiar to you?

Mr. MCKINNON. Yes, Mr. Chairman.

Senator HELMS. He was a son of Noriega's predecessor?

Mr. MCKINNON. I believe that to be correct.

That is the way it was reported to us.

Senator HELMS. He was killed.

Is it true that the other one—there were two Panamanians killed in Colombia. One I just mentioned, and one of General Noriega's personal pilots, Cesar Rodriguez, was another.

Is that consistent with your information.

Mr. MCKINNON. As the second individual killed?

Senator HELMS. Yes, sir.

Mr. MCKINNON. I'm sorry, I don't have the details. But I believe that was the name.

Senator HELMS. All right.

How about checking on that.

Mr. MCKINNON. Yes, sir; I will.

Senator HELMS. Can you tell me anything else about that incident?

Mr. MCKINNON. Only what I recall from the report that came from our Bogota office, which was that the two Panamanians had been detained by the Colombian authorities on a suspected vessel smuggling effort, had been released, at least temporarily, because of lack of evidence, and were free to travel about Colombia when they were killed.

I cannot recall much more detail than that.

Senator HELMS. All right.

Colonel Julian Melo, is that name familiar to you?

Mr. MCKINNON. [Nods negatively.]

Senator HELMS. My information is that until a year or two ago, he was the General Secretary of the Defense Forces High Command and a close friend and associate of General Noriega.

Do you know anything about the allegations that this Colonel Melo was involved in receiving $2 million for protection of narcotics operations in Panama?

Mr. MCKINNON. I believe Customs may have the details on that. As I recall, it was a Panamanian investigation.

Senator HELMS. Can Customs help on this?

Mr. BALONON. Yes, sir.

All I can recall is from the press, the newspapers down in Panama.

They did associate Colonel Melo with the conspiracy to smuggle narcotics and precursors.

Senator HELMS. He was dismissed, wasn't he?

Mr. BALONON. Yes, sir. He left the Panamanian Defense Forces.

Senator HELMS. But no charges were ever brought, as I understand it.

Mr. BALONON. To my knowledge, he did not go to trial.

Senator HELMS. Could I ask you to check on this and let us check with you, or give me a memorandum on it. We have so much information that I want to be sure that what we have is correct.

Senator HELMS. I have one final question.

An article in the "Latin American Times" a few weeks ago quoted a source as saying that the Panamanian Defense Forces is, and I quote, "A kind of Mafia that makes millions from kickbacks and drug dealings."

Does anybody want to comment on that?

[Pause.]

Senator HELMS. Who'll go first? [Laughter.]

Mr. MCKINNON. As far as the Drug Enforcement Administration goes, we have no evidence to support that whatsoever. As I stated earlier, our day-to-day narcotics enforcement activities with them has proved very fruitful.

I have no doubts but what there is some corruption existing within the Panamanian Defense Forces.

Senator HELMS. And you do know that drug trafficking is going up and up?

Mr. MCKINNON. Yes, sir; that is correct.

Senator HELMS. Do you agree with that, ma'am?

Ms. TISCHLER. Do I agree with the fact that drug trafficking is going up and up? Oh, yes.

Senator HELMS. Oh, yes.

Well, as I indicated with Secretary Abrams, I do not want to get into classified material. So let me submit some questions in writing to which I would appreciate your responses in writing.

Also, there may be other Senators as well who will want to do the same thing. So I will say, as they say around this place, without objection, it will be in order for Senators to submit questions.

I have just been handed a little note which says that Customs has pictures of captured dollars.

Ms. TISCHLER. Yes, sir.

Senator HELMS. I would like to see the pictures of the captured dollars.

Ms. TISCHLER. We brought you some of our personal favorites.

[Slide.]

Ms. TISCHLER. This little bear was intercepted with $300,000 of cash on its way to Panama, with a child holding him. It is a rather large "Care Bear." That one is my personal favorite, in fact.

We found that the traffickers and money launderers who now are transporting cash in an effort to evade DEA and Customs, basically have gotten more clever in terms of how they are concealing the cash.

[Slide.]

Ms. TISCHLER. These were in candy. The total was only around $70,000. There was around $5,000 in a candy wrapper.

Senator HELMS. Where were these pictures taken?

Ms. TISCHLER. These pictures were taken in our Miami special agent in charge office after we got the money back there.

We frequently have outbound blitzes on currency. In other words, we have intensified efforts at the border, and the agents found the candy in baggage. The narcotics dog alerted them, meaning they smelled like narcotics to him. When we opened the bag, we found the candy. When somebody opened the candy, they found about $5,000 a roll in there, and it appeared to be factory sealed candy, too.

[Slide.]

Ms. TISCHLER. This money was outbound from Panama in a jet, just in cardboard boxes. The suspect, named Millan-Rodriguez, who has since been tried, laundered about $147 million. It is a joint case of Customs and DEA. PDF helped us in terms of identifying the tail number on an aircraft that was bringing repeated transportation of cash to Panama. You know, money in the process of transportation is not covered by their Bank Secrecy Act. We have been trying to work with the Panamanians in order to get them to give us tail numbers of private aircraft and identify individuals who are, in fact, transporting large amounts of cash.

Last year, we had another seizure in Texas, a little town, Kingsville, TX. It was $6 million. The bulk was pretty much the same as you see there. It was also outbound in a two-engine jet that was ultimately bound for Panama as well.

Senator HELMS. That makes me think of the two guys who worked in the Federal Reserve Bank in Richmond about 25 years ago. They were having a spot bank check and they had all the money piled up. One said to the other, "That's a lot of money." The other said, "Yeah." He said, "Do you reckon that is all the money in the world?" He said, "I don't reckon it is." He said, "What would you do if you had all the money in the world?" He said, "I'd put it on my debts as far as it would go." [Laughter.]

How much is shown there?

Ms. TISCHLER. That is $5.4 million.

Senator HELMS. In what denominations?

Ms. TISCHLER. Mostly twenties, street money. We found that about $1 million in $20 bills weighs about 100 pounds. So what you are looking at is about 540 pounds of cash.

It is sort of a logistical problem for the people who move the cash around. When we get lucky, it makes it easier for us to intercept cash in that form.

As I pointed out before, in the past 6 months, we have intercepted about $16 million in cash going to Panama alone, mostly in lots of $1 million or more.

[Slide.]

Ms. TISCHLER. I brought the last picture along just to show you how clever they are. That one was going to Colombia and was approximately $800,000.

So you can see that it is quite a problem for us. As the agencies have been concentrating on shutting down American banks to launderers, we have found that the outbound cash is really on the increase.

Senator **Helms**. Now, you said this money was going to—where?

Ms. **Tischler**. All the other money was going to Panama, but this money was going to Colombia. We found cash going to Panama, mostly to Panama. Panama, Colombia, and Bolivia are the three main places where we find cash transportations.

Senator **Helms**. Well, you know, Mr. Secretary, with all of this kind of thing clearly going on, we ought to have some frank talks with our friends about it.

Mr. **Abrams**. Mr. Chairman, I would have to restate that in a very large number of areas, we really have had terrific cooperation from the PDF. We have not had the cooperation we seek on money laundering, which is what we are talking about here. But, on a variety of other questions, including extradition—well, maybe the best example I can give is this.

Panama has a very huge fishing fleet. I think 12,000 or 14,000 vessels are registered in Panama. It is like Liberia or Greece, the other main flag of convenience.

When the Coast Guard asks for permission to board, and so forth, they get it and they get it promptly.

Without meaning to reduce the importance of money laundering, which, as we say, is our main concern right now with Panama, cooperation on a number of other antidrug activities has been very good.

Senator **Helms**. I'll bet that's the most money you have ever put on an easel. [Laughter.]

I appreciate your suggestion, Mr. Secretary, that you will be glad to come back up here and meet with Senators in a confidential session.

I wonder if our friends from the Customs Service and elsewhere will come up too, for a classified session if called.

Now I believe that is as far as I want to go today. I have some other questions, but I don't believe that we should deal with them in a public session.

I do thank all of you for coming here today. We have another panel to follow you.

Thank you very much for your cooperation.

Our second panel of witnesses will be the following. We welcome Honorable Jose Sorzano, president of the Cuban-American Foundation, and Mr. Steve Ropp, professor of political science at the University of Wyoming.

I would ask you two gentlemen to come forward.

Thank you for your patience. We have sort of muddled through.

Ambassador Sorzano, I believe you were deputy to Honorable Jeane Kirkpatrick?

Ambassador **Sorzano**. Indeed, sir.

Senator **Helms**. You are a native of Cuba. As I have indicated, you are president of the Cuban-American Foundation, Jorge Mas's outfit.

We were going down the road on Radio Marti for years and years.

Do you have a statement?

Ambassador **Sorzano**. I have a brief statement.

Senator **Helms**. That would be fine.

Please proceed.

STATEMENT OF HON. JOSE SORZANO, PRESIDENT, CUBAN-AMERICAN FOUNDATION

Ambassador **Sorzano**. I have issued a written statement, Mr. Chairman. In my statement, I mention the fact that there is a mounting circumvention of the Cuban trade embargo taking place through Panama.

I mention that this is not just a question of dollars and cents, since the trade flows that are occurring are financing the ability of Fidel Castro to continue to destabilize the Caribbean and Central America, as well as other places.

So, it is necessary in considering this violation of the Cuban embargo that is occurring through Panama to keep in mind the context. That context is the following.

For the last two decades or so, the United States has followed a rather limited policy of containing and isolating Castro's regime. Its principal tool has been the economic embargo.

On the other hand, during that same time, Fidel Castro has projected military power to previously unimaginable corners of the world—Syria, Ethiopia, Angola, and closer to home, in Grenada and Nicaragua—and has continued to do as much damage as he can to American national interests. He has sponsored terrorism in the mainland of the United States, as recently proven by the Macheteros' attack on a Wells Fargo facility in New England. He also has engaged in all of this narco-trafficking that we have been hearing so much about this afternoon.

The preservation of the integrity of the embargo, which seems to me to be the only tool that we have had in the last two decades to deal with Fidel Castro, is therefore important, and I think it is necessary to point to the mounting evidence for the circumvention and violation of that embargo that has occurred recently.

If you look at the IMF statistics of the official trade flows between Cuba and Panama, they are very modest. They seldom, if ever, surpass the $500,000 level, and only once in the last 6 or 7 years do they go above $1 million.

Having served in the United Nations, I know very well that the Soviet bloc manipulates statistics to suit the necessity of the moment. Therefore, I think that almost certainly the figures that we have are incomplete.

The foundation that I represent, sir, has, over the years, been monitoring the violations of the Cuban embargo that have been taking place, and we have in the past brought to the attention of the appropriate authorities in this country certain violations. For instance, there is the fact that Cuban lobsters, or lobsters caught by Cuban ships, were then shipped to Panama. There they were repackaged in boxes now labeled "Product of Panama," and then exported illicitly to the United States.

We brought those facts to the attention of American authorities about 2 years ago, and it is our belief that that particular case has been taken care of. But I would not be surprised to see its continuation through alternative routes simply because the Cuban fishing trawlers are still selling their product in the Port of Vacamonte in Panama.

Second, we have also recently brought to the attention of the relevant American authorities, the practice of firms in Panama of selling at inflated prices through glossy catalogues in American cities with large Cuban-American communities and under the guise of humanitarian assistance, all kinds of packages and money to be shipped through Panama into Cuba.

I think that the law provides for humanitarian assistance—medicines, and so on and so forth. But if you look at the catalogues, sir, they include even designer underwear—hardly something that you would classify as a humanitarian need.

Finally, sir, in recent months, we have become aware also of a number of firms in Panama that are essentially front organizations, which engage in traffic with Cuba and the United States. As in the past, we intend to make this information available to the relevant executive agencies of the United States and, if so desired, we would be very pleased to provide it to this committee and to you, sir.

In conclusion, this asymmetrical relationship of the United States and Cuba has been holding now for at least 20 years. On the one hand, the United States, with the limited objective of isolating and confining the Castro regime through its embargo and on the other hand, Fidel Castro fomenting trouble in far-reaching corners of the world, makes it imperative that the integrity of the embargo be preserved. That is why we are very pleased to have received the invitation to appear before this subcommittee with the evidence that we have.

Thank you, sir.

[The prepared statement of Ambassador Sorzano appears in the appendix.]

Senator HELMS. Let me say that we do want all the evidence to be shared with us.

Ambassador SORZANO. I would be pleased to submit it to you, sir.

Senator HELMS. I will bring it to the attention of the full committee and perhaps the Senate.

[The information referred to follows:]

1985 PURCHASES OF CUBAN SUGAR BY ALLIES AND FRIENDS OF THE UNITED STATES

Part of the requested information was submitted to the subcommittee under separate cover with the understanding that it not be included in the public record.

The following are the 1985 purchases of Cuban sugar by allies and friends of the United States.

	Metric tons
Canada	93,000
Egypt	189,000
Finland	69,000
India	108,000
Japan	270,000
Malasia	39,000
New Zealand	21,000
Sri Lanka	13,000
Sweden	14,000
Switzerland	2,000
Tunisia	64,000
Venezuela	60,000

Senator **Helms**. Now, you said that the matter of the Cuban lobsters was resolved satisfactorily, you believe. How was it resolved, and by whom?

Ambassador **Sorzano**. There was a specific brand name and we even had pictures of it which we provided to American authorities who then, through means of their own—we are a private organization and I do not know how they did this—through means of their own, they alerted, I presume, their counterparts in Panama, so that that particular transshipment, repackaging, and relabeling was stopped.

Whether or not there have been new ways found to do exactly the same business, I cannot tell. I would not be surprised if there are, in view of the fact that the Cuban fishing trawlers continue to sell their output in Port Vacamonte.

Senator **Helms**. To whom did you report it? To Customs, or the State Department, or both?

Ambassador **Sorzano**. In this particular thing, sir, since we are a small, nonprofit organization with limited means, we just went to some friends. In this particular case, we went to the Defense Department, but don't ask me why. It worked.

Senator **Helms**. You don't know whether any protest was lodged with the Panamanian Government about this, do you?

Ambassador **Sorzano**. Not to my knowledge, sir.

Senator **Helms**. I do have some more questions, but first, I would like to hear from Dr. Ropp. We thank you, sir, for coming.

STATEMENT OF STEVE C. ROPP, PROFESSOR OF POLITICAL SCIENCE, UNIVERSITY OF WYOMING

Mr. **Ropp**. Mr. Chairman, my name is Steve Ropp. I am in the Department of Political Science at the University of Wyoming.

I am very happy to be here because we are experiencing one of those things we call in Laramie a brief, winter-like interlude. It is a nice change of pace in terms of weather.

I have some material in my statement that relates to current political developments. But since that has been fairly well covered, I thought I would read, if I could, the portion that deals with the historical setting and background to the crisis.

Senator **Helms**. I want to assure you that your full statement will be included in the record.

Mr. **Ropp**. Thank you.

Panama is currently experiencing some very troubled times, but I do not believe that these troubles are as deep or as persistent as in other Central American countries, such as El Salvador and Guatemala.

While the government is in disarray, this disarray does not reflect deeply rooted social and economic problems that are likely to lead to revolution. Rather, it reflects the deterioration of a particular type of government system that has dominated Panamanian politics since the early 1950's. I call this type of government system militarized popular liberalism.

To understand the current government crisis, we have to take a brief look at the historical factors that have influenced Panama's political system and economy since the foundation of the republic in 1903.

Of paramount importance in this regard is the country's role as a transit point within the global economic system.

From the time of the conquistadors, Panama has served as a strategic bridge, carrying merchandise around the world. The enduring political legacy of this historical transit function has been to constantly reinforce a particular kind of liberal thought—and by that I mean liberal thought in the traditional, classical, Manchester liberal sense, rather than the contemporary interpretation—which stresses maintenance of an open, capitalist economy.

This perspective has deeply influenced every Panamanian government in the 20th century.

Unlike many of its Central American neighbors, the importance of trade to Panama's economy meant that a rigid rural oligarchy, with an economic base in export crops, such as coffee, never developed. The country has historically been governed by an urban commercial elite that was fairly flexible in its political outlook and generally willing to adapt its strategies to accommodate the interests of newly emerging mass constituencies.

Given this common political outlook, Panamanian governments can be seen as minor variations on a single theme, going back to independence.

During the early 1950's, a new type of government system emerged in Panama that reflected both the enduring liberal economic tradition of the isthmus and the new reality that Panama needed strong domestic institutions to guide its quest for internal social integration and national sovereignty.

I have called this particular government system militarized popular liberalism, because the armed forces became at that time the central institution within various government coalitions.

Soon after Panama achieved its independence in 1903, the armed forces were abolished. Abolition of the armed forces left Panama with no government institution powerful enough to bring about the social integration of various racial and linguistic groups or to challenge the United States on the issue of sovereignty over the Canal Zone.

However, beginning in the 1930's, the Panamanian police were gradually converted into a military institution. By the early 1950's, this process had progressed to the point that the armed forces, then called the National Guard, had become the most powerful political force in the country. The National Guard began to serve as a base for running the country.

Colonel Jose Antonio Remon was the first Panamanian military officer to take advantage of the resurrection of the armed forces. But certainly General Omar Torrijos is the best known for converting the military into a political instrument. Coming to power through a coup in 1958, he controlled the national destiny until killed in a plane crash in 1981.

The political coalition that he assembled was an extremely heterogeneous one, reflecting the process of regional, racial, and cultural integration, which had been slowly taking place in Panama during previous decades.

By the late 1970's, Torrijos had managed to give this coalition more formal structure through the creation of a new, official political party, the Democratic Revolutionary Party that has been referred to before.

The PRD was formed along the lines of the Mexican PRI in order to perpetuate the new political alliance and its philosophy during future decades.

The best characterization of the Torrijos Government was that it was a militarized form of the old, popular liberalism. During the Torrijos years, Panama's commitment to maintaining an open, capitalist economy was strengthened, rather than weakened, with the encouragement of more activity in the service sector.

The country became a major Latin American banking center, serving the interests of an expanding clientele of multinational corporations. Nowhere was this dynamism of Panama's open liberal economy better illustrated than in the continued rapid growth of the Colon Free Zone. Established as an autonomous Government agency in 1948, it was increasingly used by multinationals to store inventories, so as to reduce delivery time, as well as for assembling semifinished imports for later export to the region.

The legacy of the Torrijos years was thus the perpetuation of an open capitalist economy which was compatible with Panama's historical liberal tradition and likely to weather the current downturn in global economic conditions.

The existence of this vibrant and modernized political economy means that there are no archaic agricultural economic structures, such as in El Salvador and Guatemala, to serve as a spawning ground for true revolution. However, the absence of such structures does not mean that peace and tranquility can necessarily be anticipated in the short run.

Panama's contemporary political problems do not stem from the existence of revolutionary conditions, but rather from the rapid disintegration of the Government system of militarized popular liberalism.

At this point in my written statement I then go into the various reasons that I think this military coalition is breaking down. Some of it has to do with a leadership problem in the military coalition, the absence of a charismatic figure, such as Omar Torrijos, to carry on the coalition and make it work smoothly. But also I mention in my analysis some major changes that have taken place within the National Guard and the defense structure that have been hinted at here.

In the 1950's and through the 1970's, the National Guard was a relatively homogeneous institution, with a group of senior officers who had all received similar kinds of training, had mostly gone to Central American military academies, and who generally understood each other.

During the Torrijos years you saw the military becoming more complex. More officer generations were created, and these internal changes within the military have weakened it in terms of its internal coherence and ability to dictate to the civilians.

Also, during the Torrijos years we have seen fairly significant changes in the Government sector. The nonmilitary sector, the public sector, has expanded very rapidly, to the point where now the military is not as critical an institution in terms of maintaining political unity in Panama.

So there have been a number of major changes that signal the slow disintegration of this traditional coalition that I call "militarized popular liberalism."

The obvious question then is what will replace such a coalition should it begin to disappear.

This is a very difficult question, but my conclusion would be that Panama now has the potential for moving in the direction of true civilian government—not a government in which the military has no presence, but a government in which the presence of the military is considerably reduced.

Let me conclude by reading one final paragraph from my statement.

Unlike some other Central American countries, Panama is not a fragile democracy that needs to be protected and nourished. Rather, it is a fragile military Government that needs to be encouraged to move toward true democracy. Movement in this direction will probably occur during the next few years, and thus, it is important to be aware of the risks involved from the standpoint of U.S. policy.

It is my contention that the Panamanian situation is sufficiently different from cases of political transition in other Central American countries to warrant the assertion that this transition will be relatively peaceful.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Ropp appears in the appendix.]

Senator HELMS. Thank you, Dr. Ropp.

Do you go to Panama frequently?

Mr. ROPP. Pardon?

Senator HELMS. Do you go to Panama frequently?

Mr. ROPP. I have not been there within the last 3 years. My first experience in Panama came in 1966, when I was stationed there as a member of the Eighth Special Forces group, and I have been there many times since then, but not in the past 3 years.

Senator HELMS. Well, the reason I asked is because is I wanted to see what you might say about the Spadafora tragedy, and get your opinion about its investigation being stopped.

Mr. Ambassador, you have described the importance to Cuba of the Panamanian circumvention, and you said you reported it.

Were you satisfied with the reaction you got from the very beginning to the evidence you presented, or did they say something like well, boys will be boys and we'll look into it?

Ambassador SORZANO. I think it has been a mixed reaction, Senator. Sometimes it has been prompt and effective; some other times it has been interested and sympathetic, but the business continues.

So, the very short list of experience that we have is mixed.

Senator HELMS. I guess the obvious question is this. You gave an instance vis-a-vis the Cuban lobsters. Overall, what would be your opinion about the role Panama plays in the marketing of Cuban fish products generally? Is it a big role, or a small role?

Ambassador SORZANO. It would be very hard for me to gauge that since we have access only to open sources and to the information we receive from people who share the same values and concerns the foundation does and who want to see the embargo implemented.

My understanding is that the Cuban fishing trawlers sell their whole output in Panama. Consequently, I believe that, depending on where those packed fish then go, we could then be able to determine with more precision what the role is. But it seems to me to be a substantial one in view of the fact that they sell their output in Panama.

Senator HELMS. Now you may not want to name names if, indeed, you will want to comment at all, but I am wondering if it is possible that this sort of thing is going on without people down there knowing that it is going on? I am talking about the PDF.

Ambassador SORZANO. It is possible to know some of the things, and the information that I will be providing you specifically names of companies as well as individuals and gives their addresses, even who their lawyers are.

But, of course, this information is, of necessity, incomplete and fragmentary, given the sources that we have.

Senator HELMS. During the past week I think the attention of the American people has been directed toward the nonparticipation of our so-called allies, specifically with reference to the terrorism of Qadhafi. In trying to contain communism, we do not have a very good track record insofar as our allies are concerned.

I do not know of anybody who has joined us in the embargo of Cuba, any ally. Do you?

Ambassador SORZANO. As a matter of fact, sir, one of our sources of concern is that very close allies of the United States do a thriving business with Cuba.

Let me take, for instance, just one particular item—sugar.

Canada, Japan, New Zealand, and Switzerland—Switzerland obviously is a neutral country and is not an ally of the United States, but nevertheless it is a close friend of the United States—those countries purchase a great deal of Cuban sugar. Japan, for instance, in 1985, bought 270,000 metric tons of Cuban sugar.

Now, my puzzlement is why, if there are other sources of sugar in Central America and the Caribbean, which are fragile, newly installed democracies, whose only product it is and who sell sugar in a depressed international market, why couldn't we urge our allies to purchase sugar, say, from Honduras, from the Dominican Republic, from Panama itself, or from Costa Rica or Dominica, rather than from Cuba? The market certainly is depressed enough. If there is going to be a price differential, it certainly cannot be a significant one, and thus we could encourage them to a common effort in preseving and strengthening democracy in the region.

On the other hand, if we are not just talking about allies of the United States, but if we talk about Third World countries who are close friends of the United States and recipients of generous economic assistance from the United States, we could talk about Egypt. Egypt purchased 189,000 metric tons of Cuban sugar in 1985. India purchased 108,000 metric tons.

Why couldn't these countries be persuaded to perhaps channel some of their purchases to other countries.

New Zealand is another example.

Senator **Helms**. These are excellent questions and I want Mr. Abrams to respond to them in writing.

Ambassador **Sorzano**. New Zealand is purchasing Cuban sugar. Nevertheless, close by, Figi has a surplus of sugar which could very well be channeled to New Zealand, rather than her purchasing from Cuba.

These are the types of concerns that the foundation has on which we are gathering information. It is very difficult to get these figures. We have obtained them from some friends in the sugar industry.

We are trying to determine whether the prices are so much cheaper that you probably then could have a commercial justification for Cuban purchases. But the preliminary indications that we have received are that the expenditure would be relatively the same, regardless of from where you buy it.

Senator **Helms**. There is also the cash flow to Cuba as a result of Angolan oil. There you have American corporations that are part and parcel of that, such as Gulf and Chevron, that run between $500 million and $800 million a year as I understand it to Cuba.

When you start contemplating facts such as these, I guess you raise a lot of questions in terms of what is the U.S. foreign policy and how effectively we deal with our allies and other countries.

I would like for you, if you will, sir, to give me as detailed a list as may be possible of sales by Panamanian firms to the Cuban-American community here, and so forth and so on. I think that would be exceedingly helpful, and we can go into that.

[The information referred to follows:]

The requested information has been submitted to the subcommittee under separate cover with the understanding that it not be included in the public record.

Senator **Helms**. Now I am not going to ask you about the Spadafora thing, but, in general, Dr. Ropp, you have heard the testimony here this afternoon and you are a very knowledgable man yourself.

How independent, really, from the military is the civilian political process in Panama? You know, you can do what George Shultz did—he did not classify them one way or the other. Just how independent would you say they are?

Mr. **Ropp**. From my perspective, Mr. Chairman, they are not very independent at all.

The centerpiece of my analysis—that we have had 30 years of militarized popular liberalism—is that the military is the central political institution in Panamanian society. I think that would apply during the entire Torrijos period and during the period of the Torrijos legacy, where all of the events of that period suggest that the general staff of the National Guard, now the Defense Forces, is the central political institution in Panama.

Senator **Helms**. The answer to the next question is bound to be subjective, but I want to ask it anyhow.

How popular is the military regime, if you want to call it that, in Panama? How popular is it with the people if given an option?

Mr. **Ropp**. I think the military regime, if you go all the way back to Torrijos, was fairly popular, particularly in terms of its nationalistic instincts. It was an institution that succeeded in integrating Panamanian society not only socially but also territorially. But that popularity has decreased to a considerable extent with the ascension to power of General Noriega.

General Torrijos was truly a charismatic figure, and I think General Noriega has some obvious problems in that regard.

So my subjective view would be that the Panamanian military is, at best, tolerated as a political institution.

Senator **Helms**. Do you in general agree with the description given by Secretary Abrams about the Barletta removal?

Mr. **Ropp**. I would not agree at all with that analysis.

There is a considerable amount of circumstantial evidence to suggest that he was removed because of the Spadafora affair. The timing is very suspicious in that regard.

I think, personally, Senator, there is a lot of fairly hard, circumstantial evidence with regard to the involvement of the Defense Forces. Pinning that down to one particular person is obviously a little more difficult. But the entire set of circumstances involving his removal from the bus and his subsequent removal to one of the posts of the Defense Forces is, to me, fairly conclusive circumstantial evidence that the Defense Forces were involved.

The removal of the president was also probably directly related to his suggestion that a commission of inquiry be established to look into the affair.

Senator **Helms**. Gentlemen, I thank you very much.

Does either of you have any further comment for the record that you wish to make now?

[No response.]

Senator **Helms**. May we solicit your cooperation in the event that there are written questions from other Senators as well as from me? If you would respond to them, we would be gratefui for that.

Without objection, the hearings of both March 10 and today will be printed.

Let me say for the record, if I may, that at the beginning of the hearing Senator Zorinsky asked that we include for the record a statement made by Panama's Ambassador at a conference in Washington. I believe that has already been placed in the record.

I suggest that the statement of one of the other participants in the conference also be included—that of Eisenmann, publisher of La Prensa in Panama.

Without objection, that will be included in the record, also.

[The information referred to appears in the appendix.]

Senator **Helms**. If there be no further business to come before the subcommittee, again, we thank you for your patience and for your testimony, and we stand in recess.

[Whereupon, at 4:10 p.m., the subcommittee adjourned, subject to call of the Chair.]

APPENDIX

PREPARED STATEMENT OF AMBLER H. MOSS, JR.

Only eight years ago, the United States Senate was completing its long and thorough deliberations over the Panama Canal Treaties signed in September, 1977. That debate was to take up more of the Senate's calendar than the consideration of any other treaty since the Treaty of Versailles after World War I.

On one issue of that debate there was no disagreement between treaty supporters and treaty opponents: Panama and the Canal were extremely important to United States security interests. The only question was how best to protect those interests.

Today, Panama is absent from the headlines. Our national debate with respect to the Central American isthmus is focused on countries to the north. But Panama's absence from the daily newspapers does not diminish its crucial importance to us. In fact, the turmoil in Central America subsequent to the signing of the Canal treaties enhances the strategic value of the new arrangements with the Republic of Panama, both with respect to the Canal and to our military bases there.

Panama's unique geography shapes our principal special interests there:

--both the commercial and military value of the Panama Canal,
--our interest in the Canal Alternatives Study now being undertaken in cooperation with Panama and Japan, which may affect future uses of trans-isthmian geography,
--the value of the U.S. Southern Command and our military bases, whose presence is assured by treaty until the end of this century, and
--the value of a stable and democratic country in the region, which can aid in the Central American peace process and also provide a bulwark against international terrorism and drug trafficking.

One thing is clear: the protection of all of these interests depends completely upon the internal political and economic environment of Panama.

The great issue that had divided the two countries since 1903--the canal arrangements which were offensive to Panama's sovereignty--was settled with the new treaties. A new spirit of cooperation entered into force along with the treaties. In October, 1979, when the treaties took effect, the U.S. business community organized an American Chamber of Commerce for the first time. President Aristides Royo spoke at its inauguration ceremonies, saying that the Chamber would be good for Panama as well as for American business. Since that date it has grown steadily in membership, as has the number of foreign banks in Panama, now numbering about 130. Panama is an enthusiastic member of the Caribbean Basin Initiative, and is making great efforts to attract private foreign investment.

Cooperation in managing the Panama Canal, under the extraordinarily able team of Administrator Dennis P. McAuliffe and Deputy Administrator Fernando Manfredo, has matched even the most optimistic assumptions of the treaty supporters of eight years ago.

Yet these hearings today have not been called to celebrate successes, although those should not be lost from sight. Rather, they were scheduled out of a genuine concern over Panama's economic and political health, a concern shared by the most qualified observers of both our political parties and by erstwhile treaty supporters and opponents alike. Last December 11, Chairman Dante B. Fascell of the House Foreign Affairs Committee summed it up when he said: "I believe that the recent events in Panama are a cause for reflection on the nature of the U.S. policy toward that country." (Congressional Record, 11 Dec. 1985, p. E5558.)

The proximate cause of Mr. Fascell's remarks was the resignation, on September 27, 1985, of President Nicolás Ardito Barletta, who was forced out by the Panamanian military (who were, in turn, encouraged by some civilian members of the government). This event, said Mr. Fascell, was a setback for democracy, and he urged that we seek "new ways to encourage effective democracy and respect for human rights in Panama."

The ouster of President Ardito Barletta, the first elected president after 16 years of military and quasi-military rule, was seen by virtually every observer in this country--in government, the media, academia and business--as a lamentable event. What does it mean, and what are its implications for U.S. policy? The answer lies both in economics and in politics. Let me begin with economics.

Debt, Development and Democracy

Panama, like most other countries, is sorely beset with the debt crisis. President Ardito Barletta had described his country's problem in vivid terms to the Southern Governors' Conference in Miami last September, two weeks before he was overthrown. Latin American countries, he said, were meeting their debt obligations to the banks of developed countries to the almost total sacrifice of their own economic development.

The resulting zero or negative growth and declining living standards were, he said, an immediate danger to internal stability and to the survival of the new democracy in countries where the military had recently yielded to civilian government. His words were prophetic--in a sense, he was the first victim in our time of the debt crisis. How many more will follow?

When I served in both the Carter and Reagan administrations as U.S. Ambassador to Panama, I operated on one basic, simple principle: U.S. interests would be secure in Panama if that country remained prosperous and stable. Conversely, if Panama's economy failed, no treaty or base arrangements could assure that our interests be protected.

Today, Panama's economy is failing in many respects. President Ardito Barletta inherited a $3.7 billion foreign debt, one of the highest per capita in the world, which continues to grow in real terms and as a proportion of GDP. The growth rate this year will, according to predictions, be around zero or worse. The consequences may be staggering. Panama's population is young--about one-third is of its people are in primary and secondary schools. This new generation, nearly 100% literate, streams into the job market at 40,000 per year, of which 20,000 are high-school graduates. Yet I doubt that the creation of new jobs of all types reaches 10,000 annually. The result is a social timebomb waiting to go off.

Our adversaries in the world, the Soviet Union and its allies, know opportunity when they see it. Scholarships to Lumumba University in Moscow and to related institutions have risen to 14,100 per year for Latin America overall, nearly double the 1983 figure. Of these, I estimate that at least 1,000 young Panamanians are studying in communist countries at any given moment. My apprehension over this situation is widely shared in Panama: the very talented and able Panamanian ambassador-designate in Washington, Ing. Dominador Bazán, a graduate of the U.S. Military Academy at West Point, has been particularly forceful in bringing this problem to our attention, from the time in the 1970's when he was President of the Panamanian Chamber of Commerce, Industry and Agriculture.

Nearly three years ago the writers of the Miami Report, published by my School, predicted that the solutions to the debt problem being put in place by the International Monetary Fund, the private banks and the Latin American governments themselves would "result in a continuously sick continent at the U.S. doorstep." The consequences, the Report said, "could prove to be a greater and a more pervasive threat to U.S. national security than the problem of Soviet influence in the Caribbean Basin, and extremely harmful to the U.S. economy." Panama is a good example of what the report anticipated.

Of course, there are other major problems besides debt service. The services sector, which accounts for over 55% of Panama's employment and over two-thirds of its GDP, has suffered from the economic crisis in the rest of Latin America. The other large sector, agriculture, has been hampered by low export commodity prices, lack of modern technology, and a price regulation system that discourages new investment for the domestic market.

Manufacturing, which accounts for 10% of GDP, has also declined for the last two years, according to reports of the Inter-American Development Bank. New investment in export manufacturing has been discouraged by the country's present labor code, its high wage costs, and the lack of skills in the labor force.

Modification of the labor code, which President Ardito Barletta was unable to accomplish politically, is being urged by the IMF and World Bank as necessary to improve the country's investment climate, with the Panamanian private sector in strong agreement.

The present government, headed by President Eric Arturo Delvalle, does appear to be committed to reactivation of the private sector and to the attraction of private foreign investment. In fact, Panama now offers some extremely attractive incentives to the foreign investor: no monetary or exchange controls; freedom to repatriate capital and profits; extremely generous tax incentives for export industries; and a modern, well-developed financial system based on private banks. There are no restrictions on foreign ownership of companies, and little or no hostility toward the foreign multinational enterprise. Government strategy is tending away from import quotas and other mechanisms which restrict the operation of market forces. The largest groupings of labor unions have a democratic, non-communist orientation and many affiliations with our own unions through the American Institute for Free Labor Development and similar organizations.

Panama could become a very successful economy by the proper application of the private-sector strategy of the Caribbean Basin Initiative. Its location is literally at the crossroads of the world, a fact which led Simón Bolívar to predict that it would become "the emporium of the Americas." It is not an over-populated country, and still has ample room for agribusiness development. Its population is young; healthy, with a life expectancy at birth of 70 years; and nearly 90% literate.

In addition to expansion in agriculture and manufacturing, Panama could develop a major tourist industry. It is endowed with extraordinary natural beauty--mountains, unspoiled islands, a natural rainforest in the Darien, and beaches. Other attractions are the Panama Canal, indigenous Indian tribes, what some consider to be the world's best sport fishing, and an attractive, modern capital. What the country currently lacks is a complete tourist infrastructure and the ability to market its tourist assets.

Confidence and Credibility

In all of my recent conversations with American businessmen and bankers expert in Panamanian affairs, the words "confidence" and "credibility" arise frequently when the investment climate is discussed. Clearly, these words refer to the country's politics. Between 1982 and 1985, three presidents were deposed by the military--Aristides Royo, Ricardo de la Espriella and Nicolás Ardito Barletta. All three were able, decent, well-intentioned leaders attempting with varying degrees of success to deal with the country's problems. Yet their own credibility was impaired by the manner in which they took office, just as confidence in the country was impaired by the manner in which they left it. Small wonder, therefore, that there is a "wait and see" attitude on the part of potential investors in the United States and elsewhere.

Certainly, promoting political evolution in Panama toward a stable democracy has been an important goal of both the Carter and Reagan administrations. It must also be recognized, the United States Senate has played an important role in encouraging this process. During the treaty deliberations eight years ago, many members of the Senate went to Panama to study the situation firsthand. General Torrijos, then in power as Head of State, made and kept three specific promises to our Senate Majority and Minority leaders: the restoration of freedom for political parties, a free and uncensored press, and the return of all political exiles who wished to return.

Since that time, constitutional reforms were enacted which provided for direct popular election of the president and vice-presidents in 1984. These elections were held, although the losing coalition charged fraud in favor of Nicolás Ardito Barletta, who, they charged, had been the handpicked candidate of the military. Yet, his subsequent deposition met with an angry reaction from the U.S. government and press. In a strongly-worded editorial on October 3, 1985, the New York Times said: "Strike Panama from the list of restored Latin American democracies the United States has been celebrating." It concluded: "America's access to the Panama Canal depends in the first instance on the stability of the regime that guarantees it. That guarantee is worth no more than the regime's credibility among its own people."

Such statements from the U.S. press, from members of the Executive Branch and from numerous legislators indicate an unusual degree of consensus in this country for any issue involving Latin America. The question is: what can U.S. policy accomplish or what should it try to accomplish?

How U.S. Policy Could be Helpful

The answers to Panama's economic and political problems, or to those of any country, must first come from its own citizens. Solutions cannot be planned in Washington and imposed from without, a lesson of history which we still sometimes ignore. Nevertheless, U.S. policy choices obviously can help or hinder the ability of Panama to become what most of its citizens want it to be: a free, stable, independent, democratic society--one that continually raises the economic and social standards of its people and that respects their human rights.

The most urgent needs, as former President Ardito Barletta pointed out last year to the Southern Governors, are in the economic area. In Panama, as in the rest of Latin America, our economic policy must therefore be forward-looking, not merely reactive or restorative when it is quite possibly too late.

Debt, Investment, Trade, Aid

Panama is a victim of the debt crisis which affects all of Latin America. Since 1982, capital has been flowing in the wrong direction in our Hemisphere--from the less-developed South to the developed North, and mainly to the United States. One Miami economist estimates last year's net capital flow out of Latin America at $30 billion. Secretary of the Treasury James Baker, in his speech in Seoul, Korea last fall, provided the first real evidence of new thinking about debt on the part of the Administration. His initiative, calling for increased lending to Latin America of at least $29 billion and a greater role for the World Bank and other international lending insitutions, was welcomed in Latin America, but judged insufficient by the Cartagena group of countries. Even that modest "Baker Plan", however, has not yet been implemented.

Numerous proposals have been advanced in this country and in Latin America to alleviate the debt crisis. Many of these make sound economic sense, but are political challenges too great to meet in this country or in Latin America. Most of these plans emphasize that the cost of measures for relief must be shared by all parties--not just the U.S. government and the international lending institutions, but by the private banks and Latin American governments themselves.

Panamanian government leaders have been among those in the Hemisphere who argue that restarting their own productive sectors and achieving a growth rate of at least 4-5% must take priority over debt service. Nevertheless, Panama's record is relatively good in meeting its debt service obligations on time.

As we stated in the Miami Report, Latin American debts must be restructured, not merely rescheduled, so that debt service is within a country's capacity to pay and still achieve a growth rate. At the same time, a new debt service program must give creditors confidence in the country so that new credit may be available, in line with Secretary Baker's proposals.

In return, to prevent the debt cycle from recurring, the IMF, World Bank and the affected country should each continue to promote domestic economic policies which lead to:

--increases in productivity through the private sector,
--improvements in the investment climate and attraction of private foreign investment,
--withdrawal of subsidies and protection of inefficient industries, and
--restraints on both civilian and military spending

The negative factor most often cited by foreign investors in Panama as standing in the way of these desired ends is the country's labor law, which the government is committed to change.

The above-mentioned goals are implicit in the policies prescribed for Panama under last year's private bank refinancing and the World Bank's agreement for a Structural Adjustment Loan. Putting them into effect poses the greatest political challenge to the Delvalle government.

On the U.S. side, the single most useful measure we could take in favor of Latin America would be to make reduction in real interest rates a top priority. This may mean, among other things, practicing what we have been preaching to our Latin American neighbors and putting our own financial house in order.

Other measures might be considered to revitalize the Panamanian private sector. Perhaps, to give an example, an investment tax credit could be considered for countries of the Caribbean Basin Initiative, a measure which was included in the Administration's original proposal but dropped from the final legislation.

U.S. economic assistance to Panama has increased enormously with the advent of the CBI. This program is properly focused toward private sector development; it should certainly continue. Despite understandable Congressional and Executive Branch unhappiness with recent events in Panama, any temptation to use the restriction of aid as a coercive lever should be avoided. Given the independent nature of Panama's civilian and its military leadership, such a policy would not be likely to succeed. It would principally affect the private sector and worsen overall economic performance, subjecting the country to stronger leftist pressures from within.

Promoting Political Evolution

In the political area, the ability of U.S. policy to promote progress in Panama is perhaps more limited than on the economic side. The problem of Panama is that which other countries have experienced: how to build democratic institutions while curtailing the power of the military. Panama is jealous of its sovereignty and highly sensitive to anything perceived as U.S. interference in its internal politics.

Nevertheless, it is also true that U.S. policies make a difference in Panama. A strong, clear bipartisan signal from the Administration and from the Congress in favor of respect for democratic processes, free elections, freedom of expression and respect for human rights and political pluralism will not be ignored in Panama. We should back this message with support for independent and free labor unions, a free and independent press, and democratic political parties and groups. It may make a crucial difference in the next presidential elections.

Precisely how such a policy can be implemented should be left to our State Department and Foreign Service. I am highly encouraged that the Senate recently approved an excellent nomination--that of Arthur H. Davis, Jr. as our next ambassador to Panama. I know Ambassador Davis and know his record of accomplishments in his previous assignment. His mission to Panama comes at a critical time, and I have the greatest confidence in his success.

Trips by members of the Senate and the House can also be very helpful. During my four years in Panama I saw numerous examples of how these trips can help promote U.S. objectives as well as inform the members. I am severely critical of people who dismiss them as mere "junkets." Panamanians pay attention to our legislators' views.

It is important, in my opinion, that we treat the civilian government of Panama as the legitimate government, for to do so will enhance its own prestige and effectiveness. If we adopt the attitude of the previously mentioned New York Times editorial, judging Panama to be a military dictatorship, we only encourage movement in that direction.

No one can pretend that the Panamanian military are not the ultimate arbiters of power, and this fact is clearly incompatible with the U.S. concept of any working democracy. Yet, to the degree that the civilian government remains in charge of the day-to-day tasks of government, Panama will be encouraged in a democratic direction. The present President of Panama is able, intelligent, and from the private sector. So are most members of his cabinet. Many of them were educated in this country or have been associated with U.S. corporations. There is much to build on there in order to work toward a democratic future.

We must also show understanding and sympathy for Panama's independent position in world affairs. In general, I interpret this position as having become more closely aligned with that of the United States since the signing of the canal treaties. Yet, for a variety of reasons, including the large U.S. presence, Panama seeks its own position and policies which can, at times, appear at some variance with those of the United States. There is also the body of opinion in Panama which sees nonalignment bordering on neutrality as the country's best defense against the turmoil which exists elsewhere in the Americas.

We cannot know, of course, whether Fidel Castro chooses not to interfere in Panama because of that country's policies or for some other reason. The fact is, however, that Panama has remained free of the terrorism, kidnappings and violence from the left and the right which have become commonplace in Colombia, El Salvador and Guatemala.

Panama is a founding member of the Contadora group, and its commitment to its peace process has remained equally strong during the past three governments. The Contadora objectives embodied in the "21 points" and in texts of treaty drafts are in accord with the mainstream of Panamanian foreign policy.

Although Panama, along with Mexico, Costa Rica, Colombia and Venezuela, supported the Sandinistas in their overthrow of Anastasio Somoza in Nicaragua, General Torrijos and his government became disillusioned with them within weeks of their victory in July, 1979. The Panamanian military and numerous civilians have expressed serious concern over the Nicaraguan military buildup. One Panamanian president once expressed to a visiting group of three U.S. senators that the United States should use any means necesssary to prevent the Soviets from basing sophisticated MiG aircraft in Nicaragua. Possibly as a result of this concern, Panamanian and U.S. forces have cooperated in military exercises in recent years to a degree unknown before the Sandinista takeover.

Yet, despite those fears, an actual U.S. invasion into Nicaragua could create tensions of severe proportions in Panama. Divisions within Panama over such an event would be deep and violent, polarizing the population. This is probably an additional factor behind Panama's endorsement of the Contadora process. We should understand and appreciate this political reality.

There is one other area in which the United States is being helpful and should continue to do so--the provision of scholarships for Panamanian youth to study in the United States. Programs such as the Central American Peace Scholarships (CAPS) administered through AID and the undergraduate scholarships administered through the Fulbright program by USIA, as recommended by the National Bipartisan Commission on Central America, are a critical investment in our future as well as Panama's. The State of Florida now has in place its own Latin American and Caribbean scholarship program, supported by state funds and aided by a private-sector foundation. Other states should be invited to add to this important effort.

Achieving an Activist Policy

It is a sensitive and difficult task to judge how the United States can help promote stability and democracy in Panama. A starting point is the recognition that there are real problems, in both the economic and political areas, which merit our serious attention and our appropriate response. This is not to say that there is an immediate crisis in Panama. But if a crisis comes, it will be extremely damaging to our interests. What is required now and in the future is a comprehensive, consistent, and active policy, based on strong bipartisan support. It should seek to accomplish as much as it can to promote economic development and political evolution without arousing Panamanian sensitivities concerning their own national sovereignty.

PREPARED STATEMENT OF RICHARD L. MILLETT

Few nations are as closely linked with and heavily influenced by the United States as is Panama. From its achievement of independence through the construction of its chief economic resource, the Panama Canal, up to the present day, Panama has been constantly subject to the influence, intervention, and economic power of the United States. Nothing could symbolize this resolve better than the fact that the U.S. dollar remains the official currency of the Republic of Panama. Yet, all too often, this influence has been exercised in an atmosphere of arrogance and ignorance. Panama has been viewed as a canal with the unfortunate inconvenience of having a nation attached to it. When canal operations were functioning normally and free from any immediate external threat, official interest in Panama was almost non-existent.

At the moment the canal is operating freely and without imminent external threats. Yet concern over developments in Panama has been increasing. This centers around four separate, but interrelated sets of problems. First, the violent struggles in Central America during the past eight years have raised questions about the security of the canal, the ability of Panama to maintain internal order and stability and the danger of communist subversion in that nation. Secondly, the forced resignation last September of President Nicolas Ardito Barletta highlighted the continued problems of the Panamanian political system. In an era in which most of the hemisphere is moving toward elected civilian governments and a reduced role for the military in political affairs, Panama has become something of an anomaly, unable to make meaningful progress away from old political structures or to resolve growing tensions in civil-military relations. Thirdly, there have been charges of government corruption involving narcotics, money laundering, arms trafficking, and other activities with international dimensions. Finally, there have been signs of growing turmoil within Panama. Part of this has centered around the current economic crisis and resultant labor unrest, but it has also involved such shocking events as the killing of a prominent political figure, Dr. Hugo Spadafora, and the kidnapping of businessman Sam Kardonski.

My testimony will focus on the first two of these areas, since they relate most closely to my own areas of investigation. To understand the domestic and international situation of contemporary Panama it is necessary to take into account the heritage of General Omar Torrijos, arguably the single most influential individual in that nation's history. From 1968 until his death in 1981 he dominated that nation's politics and reshaped its economy, society, and international position. He renegotiated the Panama Canal Treaties, fulfilling the nationalist goal of regaining sovereignty over the Canal Zone, established Panama as an international banking center, kept Panama free of any major insurgency during an era of growing turmoil in both Central America and along his other border with Colombia, and made Panama a factor in international relations for the first time in that nation's history.

Unfortunately, there were also negative developments. Panama's political system deteriorated under Torrijos as elections and parties lost much of their meaning and the military's dominance of the system increased steadily. Economic growth offered new opportunities for corruption. The international publicity generated by the canal treaties proved heady wine, leading to an expanded, perhaps overly-ambitious view of the role Panama could play in world affairs. And the magnified public image of Torrijos made it difficult for any successor to measure up, to gain the prestige or support necessary to deal with the nation's massive social and economic problems.

Since the General's death in 1981, Panama has had five presidents and three military commanders. While the current commander of the Panama Defense Force (PDF), General Manuel Antonio Noriega, is clearly the most powerful of this group, none have demonstrated the political skills or popular support needed to insure stability and progress. At the same time, economic problems have grown rapidly, a situation aggravated by a high rate of urban population growth. The result has been growing popular frustration and the apparent paralysis of the political system.

This dangerous situation was highlighted by the abortive presidential term of Dr. Barletta. The decision to hold elections for a civilian government in 1984 was the product of a variety of converging pressures. Some of these came from the United States, anxious to portray Nicaragua as the only non-democratic government in the region. But the most important pressures were generated internally, by political parties, business groups, the Roman Catholic Church, and even some elements within the military. Unfortunately, over fifteen years of military rule had prepared neither the ruling military-Democratic Revolutionary Party (PRD) alliance nor the opposition for such a transition. At first it seemed as if PDF commander, General Ruben Dario Paredes, would be the official candidate, but when he left the military to run for office he found himself shoved aside by his successor, General Noriega. For a variety of reasons, Noriega did not become a candidate, but the military and the PRD had great difficulty in locating a nominee. Eventually, they settled on Dr. Barletta, an international banker with virtually no practical political experience. The opposition was deeply divided, but most ultimately united behind the octogenarian Dr. Arnulfo Arias Madrid, who three times previously, beginning in 1940, had been elected president and each time had been quickly toppled by a military coup. (The first of these enjoyed strong U.S. support because of his rumored ties with Hitler's Germany.) Official returns gave a very narrow victory to Barletta, but most observors believed that Arias had won the election only to lose the government-controlled count.

Lack of political skills and of an independent political base, growing clashes with the military leadership, and the deteriorating economic situation all combined to make Dr. Barletta's term in the presidency a brief one. Resistance to his efforts to impose austerity and reach an agreement with the IMF and the growing controversy surrounding the Spadafora murder combined to produce a final confrontation with the PDF and Barletta's forced resignation. Since Vice-President Eric Arturo Delvalle succeeded him, the semblance of constitutional order was maintained, but the government's credibility and prospects for any evolution towards democracy both suffered greatly.

While seriously disturbed by these developments, the Reagan administration has kept a low profile on its concerns over Panama. In part this is positive. By exerting pressures for a more democratic system privately, they have made actual change possible without giving it the appearance of yielding to pressures from Washington. At the same time, it has been made clear that simply observing the forms of constitutional government will not suffice to gain American support, a message perhaps directed as much at El Salvador, Guatemala, and Honduras as it was at Panama.

Policy over the past few months, however, has reflected other, less positive realities. One is a continuing unwillingness to acknowledge the potential seriousness of the political situation. As Senior Advisor for Latin American Political Risk Analysis for Frost and Sullivan of New York I was receiving a host of reports throughout the summer of 1985 that President Barletta's hold on the presidency was increasingly tenuous. But administration sources sought to contradict such information and to portray Panama as a nation evolving towards genuine democracy. This reflected not only wishful thinking, but also a lack of alternatives, a situation which grew even worse after the September coup. It was virtually impossible and probably not even desirable to restore Dr. Barletta to an office for which he had never held a clear mandate. Yet few could see his aging 1984 opponent as a viable alternative, especially given the long history of bitter enmity between Dr. Arias and the military. It is doubtful that the current President has the strength or capacity to effectively govern over a prolonged period, but there is no clear alternative. A similar dilemma confronted policy makers in dealing with the PDF. While the events of September led to greatly increased criticisms of General Noriega there was no sentiment in favor of his replacement by his second-in-command, Colonel Roberto Dias Herrera, and any effort to go further down the chain of command could set off a power struggle which would lead to further deterioration in Panamanian security. In short, the effort to portray Panama as having made more progress towards democracy than it actually had left the administration without viable options when reality obliterated this unrealistic image.

Frustration with present alternatives could be positive if it led to a more realistic analysis of the source of Panama's problems and to a lessened inclination on the part of Washington to try to dictate the course of that nation's internal affairs. Panama's problems are not the result of the political weakness of Dr. Barletta, the age of Dr. Arias, or the ambitions of General Noriega, and they can not be cured by simply changing the cast of characters. Panama is a deeply divided nation, with a political climate dominated by mistrust, fear, and the traditional tendency of most major actors to seek U.S. support as a vital ingredient in advancing their own agendas. The current economic crisis has greatly aggravated the situation, further reducing confidence in government and opening up opportunites for elements of the radical left. To date, much to their credit, the mass of Panamanians have resisted the pleas of those who see violence as the path to political and economic progress. How long this will endure is difficult to predict, but it is obvious that a continuance of the present situation plays into the hands of the enemies of both

Panamanian and United States security interests.

Today, it has become fashionable to compare situations in a variety of nations to that which recently prevailed in the Philippines. While there are some surface similarities, especially in the economic situation, aggravated by an immense mountain of debt and a rising level of unemployment, there are also important differences. There is no Corazon Aquino in Panama as a strong national symbol of alternative politics. Neither is the polarization process so far advanced, a reality demonstrated by the different role played by the Church in Panama. And, perhaps most important, there is no major insurgency, no armed communist threat to the government. But this should not be taken to mean that time in Panama is unlimited, that the United States can safely ignore the rising tensions in that nation. What is does mean is that there is still time to focus on longer-range solutions rather than simply being overwhelmed with the problems of crisis management. What the Philippines does demonstrate, as does the overthrow of Dr. Barletta, is that it is not enough simply to hold an election. Without the willingness of those in power to actually risk that power, elections alone can represent a move towards confrontation rather than reconciliation.

What the United States can do is to recognize that we have neither the ability nor the right to dictate a solution to Panama's political problems. But we can encourage efforts to hold a national dialogue, perhaps mediated by the church, to explore ways of breaking the current political stalemate and halting the increasingly vitriolic process of political polarization. Most importantly, we must help

Panama find ways to reactivate its economy and offer viable hope to its population for a better future. In part, this will depend on how we respond to the world debt problem. But in the case of Panama we can also make it clear that once the political deadlock is broken we would be willing to renew consideration of projects to expand the current canal or even construct an alternative. This could both provide a powerful incentive to political change in the short run and also offer long-range alternatives to the allure now posed by a variety of undesirable enterprises.

Dealing with the PDF offers a special set of problems. This institution is essentially a police force trying to evolve into something close to a traditional military. History clearly indicates that whenever you combine police and military functions in a single body the result is greater corruption in the military, not greater efficiency in the police. A separation of these forces would be a desirable goal in Panama. This would improve both elements, reduce the PDF's current level of internal power, and contribute to resolving concerns over the canal's security after the year 2000. As an inducement to such a development, we could offer help in establishing a military academy for Panamanian officers. The lack of such a facility has become an even more acute problem with the recent transfer to the United States of the U.S. Army's School of the Americas.

Dealing with the problems of Panama will not be easy. Panamanians have been conditioned by years of disputes over the canal to be especially sensitive to U.S. interference in their internal affairs. They are also proud of their success in the Torrijos-Carter agreements and resent attacks on their international politics, most prominent today in their membership in the Contadora Group, or suggestions that they will somehow prove incapable of managing the canal on their own. Ultimately, it is the Panamanian people who will resolve their problems and select their future leaders. It is not up to us to install or maintain any individuals in positions of power in that nation. We can offer incentives for positive change, make clear the costs of a continued process of polarization, and devote greater effort to understanding the internal dynamics of this critical nation. Ignorance and arrogance today, more than ever, is a recipe for policy disaster in this nation so vitally linked to us. Informed, sensitive, and active concern backed up with resources as well as rhetoric will improve the prospects that Panama's future will offer brighter prospects for their citizens and for our ongoing relations.

PREPARED STATEMENT OF ELLIOTT ABRAMS

Mr. Chairman:

I am pleased to be able to appear to testify on the situation in Panama.

I will not try to address in any detail our many national interests in Panama; your Subcommittee is already familiar with the importance of our interests in:

-- maintaining and implementing our Treaty relationship for operation and defense of the Panama Canal and the use of our military bases;

-- assuring long-term commercial/military transit of the isthmus;

-- important cooperative scientific activities;

-- legitimate access by US firms to a major center of regional and global finance, commerce and trade;

-- cooperation to deny the use of Panama by nations and organizations whose activities are inimical to our interests;

-- large investments by private individual and corporate US citizens; and consequently, the welfare of many thousand US citizens who live and work in Panama.

Rather than discuss these well-known important interests that we seek to protect in our relations with Panama, I will address the specific questions that I understand are of particular concern to the Subcommittee at this time.

Two questions relate to Panama's foreign relations.

For most of Panama's independent existence, its relationship with the United States has been its overwhelmingly dominant foreign policy concern. The desire for a new bilateral treaty dictated domestic politics, relations with us, relations with others, and behavior in international organizations. Since 1979, this exclusive orientation has virtually ended. As the relationship with us is no longer the dominant domestic issue in Panama, neither is it so dominant as the focus of Panama's foreign policy.

The result has been less consistency in international behavior, reflecting the complex ways in which Panama both is and is not like its neighbors. It is not Central American, but is physically near Central America's troubles; it is small, but has important assets. It has seen itself as a hemispheric center since Bolivar's great unity conference of 1826. This perception of its interests undoubtedly prompted Panama to join Colombia, Mexico and Venezuela as one of the Contadora Four, seeking to mediate Central American peace. Its behavior has not always coincided with what we might like most, but its objectives in Contadora are compatible with ours. It wants to protect the peace of the region, and preserve territorial integrity and democratic political independence for itself and its neighbors. Its people do not want a foreign-dominated, antidemocratic state such as Nicaragua, fomenting armed conflict in the region.

We have our tactical differences, and differences of perception from the Government of Panama. But we have never lacked a sympathetic hearing for our views from Panama's government. Also, and importantly, Panama has not tried to involve our bilateral Treaty relationship in other issues. There has been no dispute concerning US military forces in Panama. In a region where we have too many problems, virtual absence of difficulty about our most significant military bases is notable and beneficial for us.

Outside the U.S. and Central America, Panama's policies follow national interests that are typically practical and commercial, and reflect a cosmopolitan society. Moderation on Mideast issues proceeds from a warm bilateral relationship with Israel that included a late 1984 visit by Foreign Minister Shamir. Panama has exchanged high-level visits with Japan and South Korea and has a strong economic relationship (and diplomatic relations) with Taiwan. It has no diplomatic relations with the People's Republic of China or with the USSR.

Panama re-established diplomatic relations with Cuba in the 1970's, apparently hoping to influence the U.S. in the Canal Treaty negotiations. Cuba uses Panama's Vacamonte port for its distant-water Pacific fishing fleet. Cubana Airlines serves Panama and onward destinations in Latin America. Cuba is an active trader in Panama's import-export market, which has become one of its major windows on the market economy West. Political ties are not notably cordial. There have been some visits in each direction by civil government officials and politicians, and military officers. Panama values the relationship as any customer is valued by a nation that lives by commerce and trade.

This commerce, trade and travel between Cuba and Panama creates some problems for us. Cubans, who are fed up with living under the Castro dictatorship and who have managed to obtain exit permits by paying bribes to Cuban government officials, get visas to leave Cuba for Panama, then seek to enter the United States illegally. Past Panamanian government limitations on visas for Cubans led to protests by Cuban-Americans at Panama's consulate in Miami. We are discussing this problem, with a view to minimizing abuse of Panama as a waystation for Cubans seeking to circumvent U.S. immigration procedures.

Another problem is that Cuba can, and does, use Panama as a place to purchase goods it cannot legally get directly from the US. We are seeking to restrict use by US vendors of Panama to circumvent laws against trading with Cuba.

The Subcommittee has expressed concern regarding narcotics in Panama. In matters of controlling the production or trafficking in drugs or precursor chemicals, we have received excellent cooperation from Panama's civil and law enforcement authorities. Mr. McKinnon of the Drug Enforcement Administration has further comments on this issue; I want only to make three points.

First, I would call particular attention to cooperation of Panama's authorities in drug enforcement activities of the U.S. Coast Guard. Panama is one of the world's largest open-registry states; over 12,000 vessels fly its flag. Prompt and invariably affirmative response to our requests for authorization for the Coast Guard to board, search and, if drugs are found, seize Panamanian-flag vessels suspected of drug trafficking has resulted in seizure of many tons of marijuana on the high seas en route to the U.S. We value this important aspect of cooperation against the drug trade.

Second, having acknowledged Panamanian official cooperation, I am compelled also to state that we are aware of and deeply troubled by persistent rumors of corrupt official involvement of Panamanians in drug trafficking. A colonel in the Defense Forces was cashiered in 1984 for such involvement; we remain alert for evidence of other similar activities.

And finally, laundering of drug money in Panama is of great concern to us. The Panamanian Government has stated that it shares this concern. The laundering issue touches Panama because of the country's role as an international banking center. Over 125 banks, most of which are branches of major Japanese, US, Canadian and European banks, have over $30 billion in assets in Panama. It is the only other country in this hemisphere where the US dollar is not a foreign currency. Capital moves freely in and out of the country. This situation is virtually made to order for a criminal with large amounts of US cash to launder.

One means of addressing this problem is the Mutual Legal Assistance Treaty we and the Government of Panama are seeking to negotiate. This would facilitate cooperation by our law enforcement authorities in dealing with money laundering, as well as other types of crimes like murder. We are awaiting word from Panama on when these negotiations will resume.

The Subcommittee has inquired regarding the human rights situation in Panama. Panama is one of the most open societies in the hemisphere, with clearly pluralistic social and economic institutions functioning in a free-enterprise economy. The socio-economic situation of its people is generally favorable. There is general freedom to express political dissent, and legal rights of individuals are generally respected. The government has a functioning elected legislature and civilian judicial and executive organs.

Despite Panama's favorable comparative situation, there are areas of concern. The Subcommittee has expressed special interest in some of these problems.

The unsolved murder of Dr. Hugo Spadafora, whose decapitated body was found in September in Costa Rica near the Panamanian border, shocked Panama. The shock was not only due to the extreme brutality of the act, but also because the murder was so remarkably uncharacteristic of that society. We stated at the time that the United States deplores such violence wherever it occurs and regardless of its source, and looks to the authorities of the countries concerned to identify the perpetrators and bring them to justice. Unfortunately, the investigation of the case has been closed without solving the crime.

The Subcommittee has also expressed concern about recent events affecting Panama's internal political life. Progress toward stable constitutional order and achievement of unimpeded, fully civilian political institutions in Panama was undeniably impaired by the domestic political failure and the forced resignation of Nicolas Barletta last September. The affair highlighted inherent weaknesses in Panama's civilian political institutions. Those weaknesses are due to a variety of causes. In part, the condition is the result of the time when most important national issues of concern to Panama were significantly influenced or even decided by the United States. In addition, Panama's combined military and police force, now known as the Panama Defense Forces, has enjoyed a measure of continuing influence in political and governmental matters that is undesirable if civilian constitutional rule is to prosper.

In this regard, it is corrosive of democratic government when police and military forces are not dependent exclusively upon public funds provided by elected civil institutions of government. The Panama Defense Forces engage in a variety of commercial activities upon which they appear to rely for a perceptible part of their operating costs. This seems to have begun in the Torrijos years, with the laudable aim of preserving government revenue for social programs, but it is a long-range problem that Panama must resolve, and will find very difficult.

We do not know how great this problem really is; we can only observe that it exists. It is not clear whether these activities are consistent with Panamanian law. The more serious concern, I believe, is that they tend to detract from the effectiveness of civilian governmental authority. As an objective for strengthening civilian democratic government in Panama, it would appear desirable for the Panamanian government to provide the necessary operating funds for its police/military institution. It is important to remember that the government is in worse financial straits now than under Torrijos, that it cannot increase existing public funding of the Defense Forces, and that in this troubled time of drug trafficking and threat of international terrorism, it would be of questionable service to Panama's interests, or ours, if the money to maintain law and order were suddenly reduced. Panama cannot solve the problem by political campaigning or fiat.

While the Panama Canal Treaties helped reduce the imbalance in Panama's relations with the United States, they were not designed to address the issues relating to the continuing political influence of Panama's defense forces. These issues require an understanding of the relationship between civilian and military elements in Panama's government, an understanding which is not widespread.

The Panama Defense Forces have not yet become truly a military force. Panama abolished its nascent army in 1904. The institution known successively as the National Police, National Guard and since 1983, Defense Forces, was in the first instance a police force (directed until the 1930's by US citizens). This police institution historically served civilian governments which shared generally similar socio-economic interests. Governmentally, and politically, the Defense Forces began as police. Today to a very substantial extent, they remain a police force, even as they are asked to assume a greater role as a military defense force.

Even before the Canal Treaty, and increasingly since that time, this force has sought to develop militarized land, sea and air elements that can participate increasingly, as provided in the Treaty, with the United States military forces in Panama in the protection and defense of the Canal. The Defense Forces seek to prepare for greater responsibilities that will devolve upon them at expiration of the Canal Treaty in 1999, when primary responsibility for the Canal's defense will be Panama's. It is strongly in the national interests of both countries that Panama be able to implement this responsibility effectively.

In view of the Panama Defense Force's dual mandate, some observers have suggested divorcing the organization's civilian police functions from its national defense responsibilities as a way of correcting the historical imbalance. To believe, however, as some have suggested, that this problem of political influence can be solved by creating two armed forces in the society may be too facile. Creating new institutions by itself does not persuasively answer anything; it could merely lead to duplication and competition which would be wasteful of limited resources. It might create operational inefficiency, and even create more political difficulty than it solves.

The long-range solution to this problem can only come from gradual strengthening of civilian institutions. Civil government, legislative organs, legal systems and courts, political parties, interest groups, and the media must be able and willing to deal with political questions without recourse to the police/military. There must be complementary restraint on the part of the police/military. These institutions must responsibly and professionally execute legitimate public order, internal security and national defense requirements. They must develop the restraint to do this in a way that preserves and strengthens, but does not retard or replace, civil institutions of government.

This is a difficult process. There is no quick, easy or simple path for Panama to take. It has a systemic problem, a problem of institutional development. As a nation and a society, Panama has serious political and economic problems; the Panamanians also have the capability to resolve them. We stand ready to assist whenever we can, recognizing that our own interests on the Isthmus are many and significant. Our interests can only be served effectively by the development of a viable, democratically responsive civilian government that functions in a framework of constitutional order.

We fully support the development of stable, democratic institutions in Panama as the best means of assuring both our long-term interests and those of the Panamanian people. The scheduled termination of our Canal Treaty relationship in 1999 will not end these shared interests.

PREPARED STATEMENT OF RAYMOND J. McKINNON

Chairman Helms, Members of the Senate Foreign Relations Subcommittee on Western Hemisphere Affairs: I am pleased to appear before you today to discuss international drug trafficking as it relates to the country of Panama.

There has been progress made this past year in several aspects of the drug situation in Panama, and I appreciate having this opportunity to discuss these and other significant drug trafficking matters in Panama. Before describing the drug situation in Panama, I would like to briefly explain DEA's role in the international arena.

The Drug Enforcement Administration is responsible for the investigation and preparation for prosecution of major violators of controlled substances laws operating at interstate and international levels, and the management of a national narcotics intelligence system in cooperation with Federal, State, local and foreign officials. DEA is also responsible for ensuring that legitimately produced pharmaceutical products are not diverted into the illegal drug market. Our criminal investigators and diversion investigators work not only in the United States, but in select international areas, as well.

In addition, DEA shares responsibility for the coordination and cooperation with other Federal, State, and local agencies, and with foreign governments in programs designed to reduce the availability of illicit drugs of abuse on the United States market through nonenforcement methods, such as crop eradication, crop substitution, and training of foreign officials. Under the policy guidance of the Secretary of State and U.S. Ambassadors, DEA shares responsibility for all programs associated with drug law enforcement counterparts in foreign countries.

The Drug Enforcement Administration acts as liaison with the United Nations, Interpol, and other organizations on matters relating to international narcotics control programs. DEA works closely with the State Department on international liaison, and with the Federal Bureau of Investigation, the Customs Service, the Coast Guard, and several other Federal agencies on numerous international operations.

As you have requested, I would now like to talk about the role of Panama in international narcotics trafficking.

Overview

Panama sits at the crossroads of the Americas. Because of its geographic position, Panama has developed an economy that focuses on international commerce and the transit trade. Trade is centered around the Panama Canal, especially in the capital, Panama City, and in Colon. It is reported that major trafficking organizations are increasingly using Panama as a transshipment and a negotiations center, since the large amounts of legitimate transiting traffic and international firms can act as covers for narcotics-related business.

Panama's role in international narcotics traffic revolves around four issues:

- The use of Panamanian banks to launder narcotics-related profits, mostly from third countries.
- The use of Panama as a transit country for narcotics en route from South America to the United States.
- The use of Panama as a transit country for precursor materials, mainly ether, which is used in the production of cocaine hydrochloride.
- Local cultivation of marijuana.

Money Laundering

One of Panama's chief industries is international banking. In a country slightly larger in territory than West Virginia, with a population of only about 2 million, Panama has over 120 different banking institutions and is the most important Eurobanking center in Latin America.

Panama is attractive to the banking industry because it has strict bank secrecy laws that protect customers against account disclosure; corporations can be set up with ease without government regulation; and the United States dollar is the currency. These factors make Panama an attractive location for laundering the proceeds of the illegal narcotics trade without the slightest risk of discovery. Favorable taxation provisions are another major incentive for locating banks in Panama.

The Panamanian banking law specifically authorizes numbered and coded bank accounts. It allows the use of pseudonyms on bank accounts and imposes criminal penalties for the unauthorized disclosure of bank account information.

The National Bank of Panama serves as a clearinghouse for U.S. dollars for banks operating in Panama. Much of the laundered drug money that enters Miami is believed to come from or through Panama. The United States Department of the Treasury estimates from 1983, based upon deposits with the Federal Reserve of excess cash collected by the National Bank of Panama, indicate that more than $600 million may be laundered through Panama annually.

In May 1985, United States and Panamanian negotiators met to discuss a possible Mutual Legal Assistance Treaty (MLAT) whereby the United States could obtain information on bank accounts belonging to drug traffickers. The last round of talks ended early last summer without any progress on the matter, and we have been unsuccessful in getting Panama to schedule new talks.

There is considerable resistance in Panama to any lifting of the bank secrecy laws, even to deal with the laundering of money from narcotics. It is likely that the Panamanians fear that removing any of the secrecy and security of bank accounts would cause a widespread withdrawal of money from the banks. Therefore, any further discussion of the MLAT needs the support of the private bankers who want the secrecy provisions of the law to continue.

In an attempt at self-policing, the Panamanian Banking Association has adopted a code of ethics for its members designed to discourage financial transactions that appear to be linked to drug trafficking. Provisions of the code place a limit of $100,000 on cash transactions unless there is a satisfactory explanation; prohibit banking relations with persons known to be involved in the illegal drug trade; and require proof of identity for new account holders.

Violation of the Code of Ethics would lead to expulsion from the banking association, which would not prevent the bank from continuing to operate in Panama, but would damage its reputation. Unfortunately, there are inadequate provisions for investigating or enforcing the aspects of this code.

Panama did intervene in one recent bank seizure. In November 1984, Spanish officials arrested Colombian drug traffickers Jorge Ochoa and Gilberto Rodriguez Orjuela. Rodriguez Orjuela was the majority owner of the First Inter-Americas Bank in Panama through which he laundered the proceeds of his illegal drug trade. Panamanian authorities intervened in the Bank under Cabinet decree 283 of 1970, which states that banks, their directors, officers, and employees must maintain a good reputation for the integrity of their operations.

Rodriguez Orjuela has been imprisoned in Spain awaiting a decision on requests for his extradition by Colombia and the United States. The First Inter-Americas Bank remains under the control of the banking commission, which oversees the liquidation of assets. This intervention represents the first major action taken by Panamanian authorities against a money laundering operation.

Transit Country for Narcotics and Precursor Materials

Panama serves as a transfer point for narcotics -- mostly cocaine and marijuana -- moving from South

America to the United States, and for chemicals used in narcotics processing passing from the United States and Europe to South America. Traffickers go through Panama City, as well as the Free Zone of Colon. Narcotics are sometimes stored in warehouses in Panama prior to onward shipment.

Although Panamanians are involved in trafficking, most of the actual trafficking is carried out by nationals of other countries, especially Colombians and Bolivians.

Marijuana most often comes through Panama from Colombia via light planes and small coastal vessels, and is transferred to other aircraft or small vessels for shipment to the United States. It is believed that Panama is becoming a base for commercial vessels involved in smuggling multi-ton loads of marijuana, specifically through the Port of Colon on the Atlantic coast and, to a lesser degree, through Panama City on the Pacific coast.

Panama is used as both a transshipment and staging area for cocaine en route primarily from Colombia to the United States and European markets. Cocaine is smuggled through Panama via commercial or private vessel or airplane to several destinations, such as Mexico, Canada, and Europe, but primarily to the United States. Some of the more common smuggling methods involve couriers using a body pack or false-bottomed suitcase.

Panama is also a transshipment point for precursor chemicals, particularly ether, passing from the United States and Europe to South America. At the request of DEA on various occasions over the past few years, Panamanian authorities have seized and destroyed large shipments of precursor chemicals. Two seizures of 40 tons of acetone were made recently, attesting to Panama's commitment to interdict such material.

The control of chemicals essential to manufacture drugs such as cocaine requires the cooperation of many nations. For several years, DEA has spearheaded Operation Chem Con to reduce the availability of essential chemicals, primarily ethyl ether that is used in the illicit manufacture of cocaine hydrochloride.

After Colombia banned the importation of ethyl ether tc Colombia, the price of black market ether rose dramatically. A 55-gallon drum of ethyl ether that previously sold to traffickers for between $180-200 a barrel now costs at least $8,000 a barrel in Colombia. Stopping these precursors in Panama and other transshipment countries has helped reduce the manufacture of cocaine hydrochloride.

Panama has also been used by Colombian traffickers as a transshipment point for bulk methaqualone being shipped to Colombia from Europe and Asia. At the urging of DEA's Panama Country Office, Panamanian authorities have initiated a vigorous campaign at the ports of entry and the Colon Free Trade Zone to detect and seize these shipments.

Part of Panama's anti-narcotics program centers on improving the capability of law enforcement agencies to deal with narcotics interdiction on a country-wide basis. Panama seeks United States assistance to carry out these programs.

In 1983, the Government of Panama initiated a coordinating group for narcotics enforcement. This group, thus far, has been hampered by poor commmunications and transportation facilities. The United States is helping to develop an improved communication system and has provided some assistance in transportation.

Marijuana Eradication

The climate and terrain of Panama provide areas suitable for the cultivation of marijuana. The primary growing areas are on Las Perlas Islands, located in the Gulf of Panama. Estimates of total marijuana cultivation in Panama range from 400-500 hectares with an estimated yield of one metric ton per hectare. The cultivation does not appear to be expanding.

In September 1985, the Panama Defense Forces, with assistance from the U.S. Department of State's Bureau of International Narcotic Matters, began a comprehensive effort to eradicate marijuana cultivation through the aerial spraying of herbicides. The operation resulted in the eradication of 210 hectares in five days of spraying.

Due to the relatively small size of the Panamanian marijuana crop, it is believed that almost complete eradication is possible. Panama plans to repeat its spraying operation in early 1986 to destroy replanted fields and will repeat the operation next fall.

Extradition

With regard to DEA fugitives, Panamanian authorities have been very cooperative in expelling directly to the United States the fugitives caught in Panama, provided they are not Panamanian citizens. Since Panama is a crossroads country, a disproportionate number of our fugitives appear in Panama, thus, Panama's policy on this matter works to the benefit of the United States.

Conclusion

In conclusion, I believe that in this past year genuine progress has been made in the eradication of cannabis cultivation in Panama. We are encouraged that the govenment intends to continue this eradication effort. There is evidence that Panama is making a genuine effort to better coordinate its interdiction capabilities, and Panama has already demonstrated support by seizing shipments of precursor chemicals and methaqualone.

The Government of Panama is aware that the country is increasingly the focal point both of transit of illegal drugs from South America and of the ever-growing laundering of proceeds from drug sales. In addition, the local use of marijuana and cocaine seems to be on the upswing.

The Panamanian government wishes to project an image of Panama as a safe and respectable place for international trade and investment. Inasmuch as drug trafficking tarnishes that image, Panamanian officials are strongly opposed to drug trafficking and are willing to cooperate extensively with U.S. authorities to hinder the drug trade. Panamanian public awareness of their country's role in the international drug trade seems to be increasing as well.

We would, however, like more cooperation in the area of money laundering. In addition to giving the United States access to bank records, we would like to see Panama strengthen its drug enforcement program by enhancing local prosecution of significant traffickers.

As in many Latin American countries, very few significant drug traffickers are prosecuted in the local courts.

Mr. Chairman, I appreciate this Subcommittee's interest in Panama's role in international narcotic trafficking. I will be pleased to answer any questions you may have.

Thank you.

PREPARED STATEMENT OF JOSÉ S. SORZANO

I wish at the outset to express my appreciation for the opportunity to testify before the Subcommittee on Western Hemisphere Affairs of the Senate Foreign Relations Committee on the growing use of Panama's trading and banking facilities to subvert the American economic embargo imposed against Cuba over a quarter of a century ago. This important subject fully deserves special attention in view of the current crisis in Central America and Cuba's role in fostering and promoting it.

The violations, of course, do not occur in an international vacuum and, therefore, before moving directly into the topic it is useful to sketch the regional political context in order to highlight the negative impact of these activities on the effectiveness of U.S. foreign policy towards Cuba and -- by extension -- on our ability to strengthen and protect the vulnerable newly established Central American and Caribbean democracies. Only with that context in mind can we determine the true significance of the persistent and mounting violations of the Cuban economic embargo taking place through Panama.

For the past twenty-five years and especially since the Bay of Pigs and the Cuban Missile Crisis, American policy towards Cuba has aimed at the limited objective of isolating and containing the Cuban revolution.

To that end, the United States moved on two different levels. On the one hand it bolstered the stability of the political systems of the Latin American nations through the generous economic and technical assistance of the Alliance for Progress. And, on the other hand, the United States also imposed an economic embargo on Cuba, successfully worked towards the expulsion of Cuba from the Organization of American States and has persistently sought -- although with mixed results -- the diplomatic isolation of Castro's regime within the Western Hemisphere.

This policy has shown remarkable consistency and has spanned Democratic and Republican, liberal and conservative, administrations. While there have been occasional attempts at *detente* with Cuba, they have never prospered, principally due to Fidel Castro's unwillingness to relinquish his "revolutionary principles" as the price of warmer relations with the United States.

But it was the Kennedy/Krushchev Pact which fundamentally shaped U.S. objectives towards Cuba. Since that time, successive U.S. administrations have relinquished the possibility of actively seeking to undermine, destabilize or overthrow the Castro regime in exchange for Havana's promise (not, in fact, observed in practice) of confining the revolution to Cuba and not exporting it to other countries. It is thus important to note that for the last two decades the primary aim of American policy towards the Castro regime has been confined to the limited objective of seeking to contain and isolate it and of raising the costs to the Soviet Union of maintaining a base ninety miles from the American shore. To attain these objectives the United States has almost exclusively relied on its economic embargo against Cuba.

At the same time, and despite this self-imposed American restraint, Castro has persistently followed an activist policy of aggressive expansionism unmatched even among other Soviet surrogates. Indeed, no sooner had Fidel Castro come to power than he sent revolutionary expeditions to the Dominican Republic, Panama and Venezuela. Their quick failure did not dissuade Havana from trying again and subsequent attempts have attained a significant level of success. During the last decade, for instance, the previouly unimaginable has occurred as Cuban military power has been projected into distant regions of the world such as Syria, Ethiopia, Yemen, Angola -- and, closer to home -- Grenada and Nicaragua. In addition to overt military presence in those countries, Cuba has also provided covert assistance to the PLO in the Middle East, the Polisario in the Western Sahara, the M-19 in Colombia, the Sandinistas in Nicaragua and the FMLN in El Salvador.

The United States, needless to say, has not been spared from Castro's activities. The dumping on the U.S. of thousands of so-called "Mariel excludables" has created a festering problem with mounting political, human and financial costs (now estimated in the tens of millions of dollars a year). The FBI has also pointed to Cuba's role behind the *Macheteros'* (a Puerto Rican terrorist group) attack on a Wells Fargo truck with U.S. weapons left in Vietnam and supplied by Cuba. The group's leader and part of the stolen money are now in Cuba. And, finally, Castro's embrace of narcotics trafficking has added a new dimension which, at one stroke, corrupts the political system of the drug-consuming nation and finances Cuba's support for terrorist and guerrilla groups.

In short, over the past twenty-five years the relationship between Cuba and the U.S. has been markedly asymetrical. While Castro has not spared an opportunity to inflict as serious damage as possible to important American and security interests, the U.S. has almost exclusively relied on the economic embargo to attain its limited objective of isolating and containing Castro.

Embargoes, however, are almost always susceptible to circumvention due to the powerful incentives for lucrative economic transactions they create. For that reason they also create the countervailing need for continuous and alert vigilance to maintain their effectiveness. In that light, therefore, it is not surprising that the Cuban embargo is increasingly being circumvented through Panama, nor is it difficult to see the urgent need for appropriate counteracting measures to preserve the integrity of the principal American foreign policy instrument *vis-a-vis* the Castro regime.

Mr. Chairman, the Cuban American National Foundation is a private, non-profit educational and research institution. With our limited means we have been monitoring economic transactions that aim at weakening the effectiveness of the legally mandated embargo against Cuba. As a private institution, the Foundation does not have access to the intelligence data and other classified information gathered by U.S. executive agencies. Our information comes from private individuals who share the concern, values and orientation of the Foundation. As such, the data which I will provide this sub-committee is admitedly fragmentary and far from complete, although information we have furnished to the relevant U.S. officials in the past has proven accurate and prompted appropriate measures.

Mr. Chairman, the International Monetary Fund's (IMF) statistics of official trade flows between Panama and Cuba for the years 1978-1984 show a fluctuating but modest level of trade rarely exceeding half a million dollars a year and only once surpassing the million dollar level. These figures are reported to the IMF by the countries themselves and they are almost surely incomplete.

In 1981-1982, for instance, the Cuban American National Foundation brought to the attention of U.S. government officals the then existing practice of repacking in Panama under a Panamanian label lobster tails shipped from Cuba. The repacked lobster tails bearing a "Product of Panama" label were then exported to the United States in an illicit circumvention of the U.S. trade embargo against Cuba. Although that specific violation was detected and -- we believe -- stopped, we are unable to determine whether new alternative routes have been divised. We would not be too surprised if they have, because Cuban fishing trawlers still sell their catch to Panamanian fish packers in the port of Vacamonte.

Panama's close relationship with the United States, its strategic location as a hub of world trade, its proximity to Cuba, its well developed transportation and financial networks and the difficulty of effectively controlling the Colon Free Trade Zone have attracted a number of Cuban operated companies. These companies serve as "fronts" and are often used to circumvent the economic embargo against Cuba. And while it is true that Cuba has also established the same type of companies in other parts of the world, by far the largest concentration is located in Panama. As we have done in the past, Mr. Chairman, we are making available the names of several of these companies and the individuals who operate them to the appropriate U.S. government officials. We will also be pleased, if so desired, to make them available to members of this subcommittee.

For these companies Panama is a free market both in commercial as well as in banking transactions. They purchase everything from medicines, hardware, office equipment and automobile spare parts to electronic equipment. We understand, for instance, that in recent months there have been large purchases of sensitive recording equipment and a sixty percent increase form 1984 to 1985 in the acquisition of sophisticated computers.

In addition, Mr. Chairman, there are a number of firms in Panama with offices in American cities with large Cuban-American communities which specialize in the sending of packages and money to Cuba under the guise of "humanitarian" assistance. These firms advertise their ability to send unlimited amounts of money to Cuba and their glossy catalogues offer not the basic needs to be expected in a humanitarian transaction, but goods like designer clothes and electrical appliances at inflated prices. These transactions cruelly prey on the human desire to help needy relatives and most certainly could not occur without the intimate participation of the Cuban government and its security machinery. The remitance of significant amounts of dollars to Cuba in this fashion is a major loophole in the U.S. economic embargo. We have also recently provided this evidence to the appropriate U.S. government officials.

In conclusion, the embargo cannot force Cuba to alter its hostile policy towards the United States. The embargo, however, severely limits Cuba's ability to earn hard currency to be used in support of its hostile foreign policy. The embargo also increases the burden of the Soviet Union which spends more than $4 billion annually just to help Cuba's chaotic economy barely survive. From that perspective, and keeping in mind Cuba's trouble-making role in areas of vital American interests, it is deeply disturbing to see the growing use of Panama to circumvent and weaken the Cuban embargo. It is clear that the time has come for the U.S. government to intensify its efforts in steming the flow of illicit trade to and from Cuba. In saying this I do not wish, of course, to interfere with legitimate Panamanian trade interests nor with U.S. firms and individuals doing business in Panama. I merely point to the need to be sensitive to the fact that seemingly harmless trade transactions may violate the law and advance Cuban interests while weakening American ones. For that reason, Mr. Chairman, I wish to reiterate my appreciation for having convened these hearings and for granting me the opportunity to testify on this important topic.

PREPARED STATEMENT OF STEVE C. ROPP

Mr. Chairman, Members of the Subcommittee, my name is Steve Ropp. I am a professor of political science at the University of Wyoming and have devoted the better part of my academic career to the study of Central American politics. I first visited the Republic of Panama in 1966 as a sergeant assigned to the U.S. Army's 8th Special Forces Group. It was during that troubled period rife with guerrilla activity that I realized the importance of deepening my understanding of the regional situation. Since then, I have returned to Panama on numerous occasions and wrote a book on Panamanian politics in 1982. Your invitation to speak here today on recent developments in that country is greatly appreciated.

SUMMARY INTRODUCTION

Panama is experiencing very troubled times. Claiming that he did not have the necessary political support to lead his debt-ridden country out of its economic crisis, President Nicolas Ardito Barletta resigned on September 28, 1985. This was the third unscheduled change in civilian presidential leadership since the death of General Omar Torrijos in 1981 and signaled a continuation of military domination of civilian institutions. Sworn in to replace Barletta was Eric Arturo Delvalle, an industrialist and prominent figure in the Republican Party.

Shortly before Barletta's resignation, the decapitated body of Hugo Spadafora was found in Costa Rica near the Panamanian border. Spadafora was a well-known social democrat and guerrilla leader who had been active in the Sandinista effort to overthrow the Somoza government in Nicaragua. His harsh criticism of Panama's National Defense Forces and particularly of its leader General Manuel Antonio Noriega led many to believe that the Defense Forces had a hand in his murder.

Spadafora's death created a growing scandal and president Barletta hinted that he might be willing to conduct an offical investigation. General Noriega's removal of Barletta was widely viewed as an attempt to bury the scandal and to strengthen his position in the Defense Forces. In October, there were numerous protest marches and a strike by doctors and teachers to protest government inaction but President Delvalle refused to set up a commission of inquiry.

In addition to these continuing political problems, Panama has experienced tremendous difficulties in adjusting to the demands of international lending agencies that the government reduce spending and raise taxes. The government proposed austerity measures and changes in the labor code which drew strong fire from the business sector, labor unions, agriculturalists and the broad political opposition. Indeed, the only major sector of Panamanian society which does not seem in total opposition to government policies is the Catholic Church.

As of April 1986, it is clear that the civilian government of President Delvalle is in deep trouble. There have been major strikes and serious clashes between opposition groups and the Defense Forces that threaten to escalate into further violence. The executive branch did manage to force through the legislature a series of new laws aimed at dealing with the financial crisis. However, this was only accomplished with strong backing from the Defense Forces.

Unlike some other Central American countries, Panama is not a fragile democracy that needs to be protected and nourished. Rather, it is a fragile military government that needs to be encouraged to move toward true democracy. Movement in this direction will probably occur during the next few years and thus it is important to be aware of the risks involved from the standpoint of U.S. policy. It is my contention that the Panamanian situation is sufficiently different from cases of political transition in other Central American countries to warrant the assertion that this transition will be relatively peaceful and not injurious in any respect to U.S. interests in the region.

THE HISTORICAL SETTING FOR THE PRESENT POLITICAL CRISIS

Panama is currently experiencing some very troubled times but I do not believe that these troubles are as deep or persistent as in other Central American countries such as El Salvador and Guatemala. While the government is in disarray, this disarray does not reflect deeply rooted social and economic problems that are likely to lead to revolution. Rather it reflects the deterioration of a particular type of government system that has dominated Panamanian politics since the early 1950s. I call this type of government system militarized popular liberalism.

To understand the current government crisis, we have to take a brief look at the historical factors that have infuenced Panama's political system and economy since foundation of the Republic in 1903. Of paramount importance in this regard is the country's role as transit point within the global economic system. From the time of the conquistadors, Panama has served as a "strategic bridge" carrying merchandise around the world. The enduring political legacy of this historical transit function has been to constantly reinforce a particular kind of liberal thought which stresses maintenance of an open capitalist economy. This perspective has deeply influenced every Panamanian government in the twentieth century.*

Unlike many of its Central American neighbors, the importance of trade to Panama's economy meant that a rigid rural oligarchy with an economic base in export crops such as coffee never developed. The country has historically been governed by an urban commercial elite that was fairly flexible in its political outlook and generally willing to adapt its strategies to accomodate the interests of newly emerging mass constituencies. Given this common political outlook, Panamanian governments can be seen as minor variations on a single theme. The weak liberal governments of the early twentieth century were replaced by more dynamic modernizing ones in the 1930s and 1940s that attempted to adapt the economy to the needs of the industrial age. However, all of these governments maintained their commitment to the ideal of an open capitalist economy.

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* This theme is presented in more detailed form in Steve Ropp, "Panama in the Twentieth Century", Cambridge History of Latin America, Volume VII. (Cambridge University Press, forthcoming).

THE PRESENT CRISIS OF MILITARIZED POPULAR LIBERALISM

During the early 1950s, a new type of government system emerged in Panama that reflected both the enduring liberal economic tradition of the Isthmus and the new reality that Panama needed strong domestic institutions to guide its quest for internal social integration and national sovereignty. I have called this particular government system "militarized popular liberalism" because the armed forces became the central institution within various government coalitions.

Soon after Panama achieved its independence in 1903, the armed forces were abolished because their continued existence threatened both U.S. interests on the Isthmus and those of Panama's urban commerical elite. Abolition of the armed forces left Panama with no government institution powerful enough to bring about the social integration of various racial/linquistic groups or to challenge the United States on the issue of sovereignty over the Canal Zone. However, beginning in the 1930s, the Panamanian police were gradually converted into a military institution. By the early 1950s, this process had progressed to the point that the armed forces (then called the National Guard) had become the most powerful political force in the country. The National Guard began to serve as a base for running the country.

Colonel Jose Antonio Remon was the first Panamanian military officer to take advantage of the resurrection of the armed forces. But certainly General Omar Torrijos is the best known for converting the military into a political instrument. Coming to power through a coup in 1968, he controlled the national destiny until killed in a plane crash in 1981. The political coalition that he assembled was an extremely heterogeneous one reflecting the process of regional, racial and cultural integration which had been slowly taking place in Panama during previous decades. By the late 1970s, Torrijos had managed to give this coalition more formal structure through the creation of a new official political party (the Democratic Revolutionary Party - PRD). The PRD was formed along the lines of the Mexican PRI in order to perpetuate the new political alliance and its philosophy during future decades.

The Torrijos regime is best known for its successful effort to achieve Panamanian sovereignty over the Canal Zone. This effort to restore the nation's territorial integrity led many outside critics to accuse his government of having Marxist tendencies. But while the Communist Party was formally recognized in 1978 and given control over several important rural and urban labor federations, its leaders were relatively minor players in the Torrijos coalition.

The best characterization of the Torrijos government was that it was a militarized form of the old popular liberalism. During the Torrijos years, Panama's commitment to maintaining an open capitalist economy was strengthened rather than weakened with the encouragement of more activity in the service sector. The country became a major Latin American banking center serving the interests of an expanding clientele of multinational corporations. Nowhere was the dynamism of Panama's open liberal economy better illustrated than in the continued rapid growth of the Colon Free Zone. Established as an autonomous government agency in 1948, it was increasingly used by multinationals to store inventories so as to reduce delivery time as well as for assembling semi-finished imports for later export to the region. The Zone grew at an average rate of 23 percent a year during the 1970s and employed 8,000 people by the end of the decade. Handling over $2 billion worth of merchandise, it is second only to Hong Kong among world free trade areas.

The legacy of the Torrijos years (1968-1981) was thus the perpetuation of an open capitalist economy which was compatible with Panama's historical liberal tradition and likely to weather the current downturn in global economic conditions. The existence of this vibrant and modernized political economy means that there are no archaic agricultural economic structures such as in El Salvador and Guatemala to serve as a spawning ground for true revolution. However, the absence of such structures does not mean that peace and tranquility can necessarily be anticipated in the short run. Panama's contemporary political problems do not stem from the existence of revolutionary conditions but rather from the rapid disintegration of the government system of militarized popular liberalism.

The success of General Torrijos in fashioning a broadly based political coalition was due to a combination of factors which included his personal political skills, a particular level of military institutional development, and a particular level of government institutional development which was not so far advanced as to prevent the armed forces from acting as the central government institution. By the mid-1980s, all three of these factors which accounted for the success of this military phase of national governance had been altered. First, Torrijos' death created a vacuum of competent leadership within the armed forces capable of maintaining the delicate balance within his coalition. His government had incorporated groups ranging from conservative businessmen to members of the Communist Party and since 1981 these groups have pursued their own narrow interests without the tempering influence of a skilled politician.

A second factor encouraging the disintegration of militarized popular liberalism is the increasing complexity of the armed forces. The specific level of military institutional development upon which Torrijos' successful leadership had been based was one in which there had been a very small and relatively homogeneous group of senior officers who both accepted his guidance and were consulted on a regular basis. The homogeneity of this group stemmed from the fact that nearly all were graduates of Central American military academies who entered the armed forces during the 1950s and were impressed with the need for internal unity in the face of the often hostile political environment that confronted them.

With the emergence of the armed forces as the central political force in the 1950s, the institution expanded and, as a consequence, new divisions were created within the officer corps and enlisted ranks. This was largely due to the increasing range of functions that the military was called upon to perform as it added military duties to police ones. Functional specialization meant that some entering officers had received strictly military training at Latin American academies and overall growth of the military meant there was now a larger number of different officer generations.

The final factor encouraging the disintegration of militarized popular liberalism is the change in the relative strength of the armed forces and other government institutions. In the 1950s, the armed forces was clearly the best organized and most highly unified government bureaucracy, a fact that allowed for their use as a platform for military governance. During the Torrijos years, civilian government institutions expanded rapidly to the point that the armed forces' relative position was greatly diminished.

The political result of this combination of failed military leadership, increased complexity within the armed forces, and better structured civilian institutions has been the rapid disintegration if not the final collapse of the government system of militarized popular liberalism. During the past four years, there have been numerous changes in the leadership both in the armed forces and in the civilian government. It seems increasingly clear that this form of government is being victimized by its own success in creating a more integrated society and stronger civilian government institutions. What is not clear is the political system which will replace it although there is a good possibility that it will be one which reemphasizes civilian leadership.

THE STRUGGLE OF AN INDEPENDENT NEWSPAPER

August 4 1980 "La Prensa", the Independent Newspaper of Panama is inaugurated.

October 22, 1981 La Prensa suffers its first physical attack. Ten armed men fired several shots inside the building, destroying equipment and furniture and wounding an employee and a client. One of the attackers was detained by the employees of La Prensa.

On the same day, October 22, the government-backed Revolutionary Democratic Party issued a statement taking full responsibility for the attack, saying that "a militant group of our Party today attacked that newspaper with the moral support of the Secretary General of the Party".

November, 1981 The President of the Republic initiated a series of legal actions against La Prensa for libel and, on the 7th of the month, ordered the arrest of the Editor of La Prensa, who was only able to avoid arrest by posting bail. There were four (4) lawsuits, as well as the constant threat of arrest against the Director, who was forced to obtain a safe-conduct pass every time he travelled abroad. At the same time this was taking place, the lawsuit brought by La Prensa against the self confessed Secretary of the Official Party for a proven crime (the attack against La Prensa) was at a standstill.

December 14, 1981 After the publication in La Prensa of an accusation against Transit, S.A., a company operating in the Colon Free Zone, for being involved in illegal transactions, three Directors of La Prensa were summoned to the National Guard Headquarters, where the Chief of Staff threatened them, stating that, "If it were up to me, Ruben Dario Paredes, the decision I would make would be to close La Prensa...and let the people judge". Colonel Fisher added "You are playing with fire...be very careful".

La Prensa responded with an Editorial titled "What We Will Not Tolerate", which ended with the following words:

"The Panamanian people continue being the sole judge of their destiny, and they will definitely not tolerate men, companies or institutions that consider themselves above the Law or beyond public justice. Insofar as we are concerned, we reaffirm today, fully aware of the circumstances under which we do so: They have the brute power to close us down, but they don't have the moral authority to silence us".

As of then, the government began an economic attack against La

Prensa. The Ministery of the Treasury issued a resolution stating that an audit of the newspaper revealed that they had not declared certain earnings resulting from the first seven months of operations and therefore ordered them to pay an additional $7,000.00. At the same time, a labor suit brought against a contractor of La Prensa by a foreigner for $22,000.00 was decided against the contractor, making La Prensa jointly liable. As a result, within a period of one month, the newspaper had to make an unexpected disbursement of $29,000.00. La Prensa received the immediate support of the community to face this new type of threat.

June 8, 1982 La Prensa reprinted an article from the Miami Herald reporting an attempt to smuggle a huge amount of drugs into the U.S.A. from Panama with the alleged complicity of high ranking officals of the National Guard.

The government's response was to launch a personal attack against the President of La Prersa, accusing him of "smuggling" because certain locally manufactured goods were discovered in his business establishments without the required "Made in Panama" label.

The President of La Prensa openly challenged the Minister of the Treasury to present the slightest proof of contraband goods in any of his establishments. All the radio talk shows, television stations, employees of the affected companies, as well as the democratic political parties reacted against this new aggression against La Prensa.

June 14, 1982 The Second Circuit Court handed down a five (5) month jail sentence against the Editor of La Prensa as a result of the first libel suit brought against the newspaper by the President of the Republic. La Prensa appealed. The lawsuit initiated by La Prensa against the self-confessed Secretary General of the Official Party for their attack on the newspaper's building was still being held up.

July 30, 1982 At 6:15PM, a contingent of National Guard troops burst into La Prensa with machine guns and rubber hoses. With unnecessary violence, they began to oust all the personnel, shoving and striking them with the hoses. Victims of the repeated blows were Betzaida de Gomez - Administrative Secretary, Daniel Rodriquez - Receptionist, Enrique Herrera of the Composing Department, Juan Martin Perez of the Press Section, and Norman Castro, who was visiting La Prensa at the time. Employees were not even allowed to turn off their machines, endangering the delicate electronic equipment.

At 6:45PM, Migdalia Fuentes - City Editor, Gilberto Gomez - Reporter, and Alcides Rodriguez - Photographer returned from a Press Conference at National Guard Headquarters and upon entering the building, they were arrested and Alcides Rodriguez was handcuffed. Later on, without an explanation, they were released and thrown out.

August 4, 1982 After national and international pressure was brought to bear, the President of Panama issued a statement advising that the building was being returned to its owners. No conditions were laid down for its reopening.

Directors of La Prensa, accompanied by insurance company representatives, employees and a correspondent from the New York Times entered the building, occupied up to that moment by the National Guard, to find damages calculated at $100,000. Corrosive acid had been used to destroy electronic equipment and parts of the presses. In addition, the majority of the desks and filing cabinets had been broken into and all the advertising contracts, personnel files and dossiers on the National Guard and political parties were missing. There was general indignation expressed by the national and international communities.

In a meeting of the stockholders and employees of La Prensa, with more than 600 people present, a dramatic resolution was issued, holding the Head of the National Guard civilly and criminally responsable for the destruction of La Prensa.

June 8, 1983 A new attack against La Prensa. A mob of approximately 200 people, consisting of known elements of a second government party, PALA, attacked La Prensa striking several of its employees, one of which, Carlos Sanchez, was seriously wounded and had to be hospitalized. National Guard troops, which arrived at the scene while the attack was in progress, left without intervening in obedience to "orders given by superiors", according to Second Lieutenant Carlos Loaiza in command of the troops. In spite of the open hostility of the mob, which shouted slogans supporting the then offical presidential candidate, as well as Commander-in-Chief of the National Guard, Ruben Dario Paredes, they were not able to enter the building because the employees and Directors of La Prensa blocked the entrance. That same night, after the attack, the Minister of Government and Justice visited the premises of the newspaper, expressing on behalf of the President of the Republic his regret that the incident had occurred and promising, as had the Chief of Security of the National Department of Investigation, to launch an investigation of the incident and "carry it out to its ultimate consequences". As a result of this attack on La Prensa, apparently motivated by evidence it had published proving that public funds were being used to promote the presidential campaign of General Paredes, the newspaper received the support of nearly all the political parties, the Journalists' Union, the Chamber of Commerce, the Chamber of Industry, and many civic organizations.

April 29, 1984 Guillermo Sanchez Borbon, a columnist of La Prensa, was physically attacked by individuals later identified as members of the "Seventh Force", a paramilitary group of the National Guard that took part in other acts of violence after the national elections. The opportune intervention of a radio reporter who gave the alarm and stepped in to help him saved his life.

May 7, 1984 Marcela Arosemena, a reporter for La Prensa, and Alfredo Jimenez, a photographer, were fired upon while covering the attacks against opposition demonstrators that were grouped in front of the Legislative Palace where the National Vote Tabulating Council was meeting to carry out a recount of the presidential votes cast the day before. The incident resulted in two dead and forty wounded. Fortunately, the journalists were unharmed, but the bullet holes in their automobile were eloquent testimony of the grave danger their lives were in.

One of the members of the "Seventh Force", under the diplomatic protection of the Venezuelan Embassy while his application for political asylum was being resolved, confessed that the "Seventh Force", following orders of high officials of the National Guard had fired into the defenseless crowd. In spite of the fact that the gunfire lasted four hours, National Guard troops in the area did not intervene.

September 25, 1984 La Prensa was shut down due to alleged labor problems. The shut down was ordered by the Ministry of Labor in response to a petition presented by 26 striking workers out of a total labor force of 106 employees, in direct violation of the Labor Code, which states that a majority vote is needed to call a strike. After four days, the newspaper was allowed to reopen, thanks to international pressure exerted by the members of the Interamerican Press Association, as well as, constant coverage by international news agencies.

December 14, 1984 Aurelio Jimenez, a photographer, and Lisette Carrasco, a reporter, both working for La Prensa, were savagely attacked by members of the police forces while covering a demonstration organized by pro-government elements. A formal accusation made before the Attorney General, supported by photographs identifying two of the attackers, as well as various independent witnesses to the aggression.

October, 1985 Guillermo Sanchez's life threatened. His apartment was surrounded by more than a dozen Security Agents and his picture was handed out to all Security and para-military forces. Convinced that the order to kill him had been given that day, he went underground and surfaced only after an InterAmerican Press Association (IAPA) Committee visited him and procured Government guarantees for his safety.

February 18, 1986 Guillermo Sanchez is arrested by the Panamanian Defense Forces (PDF) based on a libel suit brought on against him by three members of the PDF. It is the first time in panamanian history that a libel suit produced an arrest. Due to intense public pressure, both domestic and international, Mr. Sanchez was released, 5 hours later on a $5,000 Bond. During his arrest he was placed in a cell with hardened criminals who constantly threatened him. The libel suit refers to a column in which Sanchez mentioned the three PDF enlisted men as possibly being the ones who had arrested Dr. Hugo Spadafora before his mangled and decapitated body was found on the costarican side of the Panama/Costa Rica Border, after he had accused General Manuel A. Noriega, Commander of the PDF of being the "drug kingpin" of the region.

As a result of this murder and the public outcry for an independent inquiry President Nicolas A. Barletta was "resigned" by the Military when he hinted he would name an Independent Investigative Commission.

Barletta was the 5th civilian President to serve the Military in the last three years. The Attorney General's investigation of this assasination was based almost entirely on La Prensa's information and was officially ended 5 months later with no indictments. After declaring the investigation closed the Attorney General was promoted to Justice of the Supreme Court. This last episode has become the dramatic proof that the Panamanian Judiciary is serving at the whim of the Military Regime

ANATOMY OF A FRAUD:

THE 1984 PRESIDENTIAL ELECTION IN PANAMA

ABSTRACT

Anatomy of a Fraud: the 1984 Presidential Elections in Panama, by Raul Arias de Para, puts forth the view that far from being the "narrow margin" victory its supporters claimed, the election of Nicolas Ardito Barletta was in fact the result of a vast, deliberate, all-pervading fraud, consummated before, during and after the May 6 elections. The book postulates that this enormous fraud was the inevitable consequence of the anti-democratic and corrupt regime established in Panama following Col. Omar Torrijo's *coup d'etat* in October, 1968, and points to the dry rot evident in *Torrijismo* since its founder's accidental death in 1981 and continuing after the elections.

Although admittedly partisan -- its author is a leading figure in the Panamanian Christian Democratic Party, one of the members of the opposition alliance robbed of its victory by the fraud --, this book has been painstakingly researched and includes a wealth of factual information that makes a convincing case for the author's viewpoint. The work is divided into three parts, dealing respectively with the electoral campaign, the elections

themselves, and the events following them. A voluminous appendix reproduces much of the original evidence supporting Arias de Para's contentions.

Chapter I provides an in-depth study of Panamanian politics on the eve of the elections. It establishes the decisive role played by the Defense Forces (the former National Guard) in picking a pliable candidate who would ensure their continued stranglehold on power. This section identifies the dramatis personae and is particularly helpful in guiding the foreign reader through the intricacies of Panamanian politics as the two main opposing forces, the UNADE (Barletta's pro-government alliance) and ADO (Arnulfo Arias' opposition alliance) entered the electoral jousting field. This chapter makes a detailed analysis of the means used by the government to shut out opposition parties from the mass media, the illegal use of government material and human resources in support of Barletta's candidacy, and the coercion applied to ensure that civil servants did not go over to the opposition. An especially illuminating study of the Panamanian electoral system -- again, much to be appreciated by the foreign reader -- closes this first chapter. It shows how the government stacked the entire electoral machine with its own creatures, making the Electoral Tribunal and the National and

District Returns Boards essential accessories to the fraud.

Chapter II records numerous instances of tamperings with voter registration lists, including the massive purging of opposition sympathizers from computerized records and even the old-fashioned but still effective stealing and stuffing of ballot boxes. Special attention is paid to the illegal activities conducted by the government to ensure the Indian vote for Barletta. Perhaps one of the most interesting sections of the book is its analysis of the techinques pro-government parties used to steal the presidency from Arias as soon as preliminary returns indicated that they had lost. Results from precincts where Arias had won by a wide margin were indiscriminately challenged. This meant that these votes could not be taken into consideration until officially certified. But although the Electoral Tribunal eventually dismissed all challenges on the grounds of insufficient merit, it inexplicably failed to count the votes, thus providing a big boost to Barletta's candidacy. This incident was symptomatic of the entire vote-counting process. Despite the fact that the National Returns Board had reviewed only five of the 39 circuit tally sheets, the Electoral Court certified their figures and proclaimed Barletta the winner by the "narrow margin" of 1,713 votes.

Chapter III presents several sets of results based on figures from official precinct results showing that even after allowing for some of UNADE's frauds, Arnulfo Arias was the winner by a margin greater than that subsequently claimed by Barletta. To support his contention that Barletta's victory was made possible by a fraud on an unprecedented scale, Arias de Para transcribes numerous statements from influential institutions representing different aspects of Panamanian life, chief among them the Catholic Church, denouncing the abuses and irregularities perpetrated throughout the electoral process. The chapter concludes with a lengthy list of foreign denounciations of the fraud, headed by that of the U.S. observers invited by the Panamanian Human Rights Committee. The American team concluded "that in a fully free election, Arias probably would have been the winner."

In his Epilogue, Arias de Para points to recent instances of official corruption to substantiate his view that "The fraud was not an isolated instance of corruption and abuse of power. The fraud was the logical conclusion of Lord Acton's dictum: 'Power corrupts; absolute power corrupts absolutely.'"

**Panamanian
Committee
for Human
Rights**

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The Human Rights Report
Review of 1985

The developments of the last year in Panama have proven that the effort of turning to democracy was little more than cosmetic . President Barletta who was sworn-in on Oct. 11, 1984 amid incidents of government inspired violence and outright electoral fraud was "resigned" by the military less than one year into his five year term. The Panama Defense Force (PDF) which had declared it's intension to retire from an active political role never complied with it's declared intention. Barletta was the fifth Civilian President in the last three years of the now 17 year old military government .

The Barletta resignation was forced when he was tempted to give in to public pressure and name an independent investigative commitee to examine the circumstances surrounding the grotesque murder of Hugo Spadafora who's mangled and beheaded body was found on the Costa Rican side of the Panama-Costa Rica border. Spadafora generally considered a PDF insider had before his death become a harsh critic of Gen. Manuel A. Noriega whom he accused publicly as the drug kingpin of the region. All known evidence on the Spadafora murder at least points toward the PDF and the fact that the posibility of an independent investigative committee has consistently been denied by the PDF makes the institution all the more suspect.

Spadafora's murder, Panama's first experience in grotesque State inspired death squad activity, is widely considered to have been ordered by Gen. Manuel A. Noriega,and carried out by the military group F-8 (following the now defunct F-7 para-military group headed by the late Silverio Brown and used by the PDF for electoral violence the year before.)

Although the Presidency was passed to the first Vice-President Eric Arturo Delvalle in an effort to demonstrate "Constitutional Continuity" the Democratic Facade is no longer accepted even in most sympathetic International Diplomatic Circles.

With a stagnant economy, extremely high unemployment rates of over 20%, a high level of political frustration especially among youth, the total exhaustion of the prolonged Military Government, total lack of credibility in the Judicial System, extreme cases of corruption especially among high level military officers, and the hostility of Church, Civic, and Non-Political Private Sector Organizations, Panama seems to be at the edge of explosive violence which may be triggered by extreme human-rights violations carried out by the PDF, such as the Spadafora Murder.

RESPECT FOR HUMAN RIGHTS

Section 1. Respect for the integrity of the person, including freedom from:

a. Political Killing

On September 13th Dr. Hugo Spadafora, who served as Vice Minister of Health under the military regime, was detained, brutally tortured and beheaded. His body was found just across the border, inside Costa Rica. According to a New York Times special report published on Oct. 2, "there are several indications that point to the Panamanian Army as having killed Dr. Spadafora. In their investigations the Costa Rican Police found two witnesses who gave sworn testimony that they saw Dr. Spadafora being detained by a Panamanian Corporal at a Military Checkpoint upon entering Panama. All indications suggest that Dr. Hugo Spadafora was killed in Panamanian territory and his body thrown inside Costa Rican territory, the Police report says".

The Panamanian military has strongly resisted the public outcry for an independent inquiry into the brutal Spadafora murder, making the Institution even more suspect.

b. Disappearance.

Edwin Eredio Amaya, arrested in Chiriqui Province in May of 1984 by members of the PDF, is still missing.

One month before the Spadafora murder, Dr. Mauro Zuniga, a leader of a major medical association, was detained in broad daylight in a restaurant in Veraguas Province by members of the PDF. Beaten and unconscious, he was found in Chiriqui Province hours later with an "F-8 Terrorist" carved on his back. This same sign was found carved on the torso of Dr. Spadafora's body. F-8 is considered to be a PDF unit which followed the dismantled F-7 unit used by the military for electoral violence last year. Silverio Brown, comander of F-7 was killed by the PDF investigative unit DENI.

Sam Kardonski, a prominant businessman misteriously kidnapped in May of 1984, was released in November. The circumstances surrounding the Kardonski kidnaping and release are maintained under a veil of secrecy by the PDF Command. An extraordinary ransom of over 10 million U. S. dollars is said to have been paid, in what is Panama's first experience in Central American type kidnapping.

c. Torture and cruel, inhuman or degrading treatment or

punishment.

Cruel, inhuman and degrading treatment of detainees by the PDF has become the norm. Jose Alberto de la Guardia, a director of the opposition party PAPO,and an employee of the U. S. Department of Defense was detained in a joint PDF-U. S. Army operation and was treated in a cruel and degrading manner by PDF operatives. De la Gu ardia's detention and treatment was protested by AFL-CIO's Local 907. A protest by a few hundred citizens outside DENI headquarters resulted in more beatings and mass arrests by the PDF "Doberman" group, trained and supplied with U. S. funds as an anti-terrorist unit, but used constantly by the PDF against the civilian population.

d. Arbitrary arrest, detention, or exile

The Zuniga, Spadafora and de la Guardia arbitrary detentions by PDF units have overshadowed many other less known harassment type detentions. Typical of these detentions is that of Roberto Eisenmann, Publisher of La Prensa, who in August was detained at the PDF Chorrera checkpoint under fabricated allegations. When Eisenmann identified himself to the low ranking PDF members who detained him and strongly protested indicating he would have to be formally charged and arrested by them or he would walk away, he was allowed to walk away. These harrasment detentions are common.

The Judiciary System has lost all credibility and is totally controlled by the PDF. Unknown detainees are held and remain in custody for months and years awaiting trial.

e. Denial of fair public trial.

Although the Constitution guarantees an independent Judiciary, there is a wide gap beween the legal country and the real country. The Judiciary is widely considered an instrument of the PDF on political and corruption cases and extremely corrupt on other judicial matters. The public outcry, including that of the catholic church, civic and other non political private sector organizations for an independent inquiry into the Spadafora case dramatized the public perception of a corrupt and military controlled Judiciary.

Section 2: Respect for Civil Rights, including:

a. Freedom of Speech and Press.

Daily newspapers "Critica", "Matutino" and "Republica", with a combined circulation of about 30,000, are owned and operated by a PDF front corporation. The same is true of Channel 2 television. In addition to a very large percentage of the total government advertising budget, the PDF owned media recieve direct cash subsidies from the public treasury of over 1.5 million U. S. dollars per year.

Daily newspapers "La Estrella" with a circulation of approximately 17,000 to 25,000 and the tabloid "El Siglo", circulation 8,000, are indirectly controlled by the PDF through high government positions, patronage and direct financing.

All other television stations - Channel 4, Channel 5 and Channel 13, are owned by PDF government related private groups. Although there have been moments of independent reporting, especially by Channels 13 and 5, when this occurs, they are immediately forced to toe the military government's "line".

Most radio stations, with the exception of two or three very weak ones, are PDF government related, through ownership, patronage and direct financing.

The only independent sources of news are: "La Prensa", a 5 year-old daily, widely owned by more than 700 shareholders, with a circulation said to fluctuate between 35,000 and 45,000, one third of which is under the only home delivery system available in Panama. A new tabloid, "Extra", with a circulation of 12,000 and printed but not owned by "La Prensa", responds to a partisan opposition group. A weekly tabloid, "Quiubo", also printed but not owned by "La Prensa", follows an independent line and has a circulation of about 15,000.

Although "La Prensa" is hard hitting against the PDF, corruption and the dictatorial system, it does so at very high risk. As one Prensa Director told our Human Rights Committee, "Press freedom is printing freely without threat of physical reprisal. We print freely, but under constant personal threat. For this reason, the press is not free!". When "La Prensa" uncovered the Spadafora murder, Everett Briggs, U.S. Ambassador to Panama, warned a La Prensa Director that his intelligence reports indicated that the PDF had made the decision to close "La Prensa". The immediate international support for "La Prensa", spearheaded by editorials in The Miami Herald, La Nacion of Costa Rica, The New York Times, The Washington Post, The Boston Globe, The Los Angeles Times and the immediate cable reactions of the Interamerican Press Association, The Association of American Newspaper Editors, The Committe to Protect Journalists, etc., seemed to have achieved a temporary backtracking by the PDF (some copies attached).

At the same time, Guillermo Sanchez Borbon, Panama's most widely read and respected political columnist, who writes a daily column for "La Prensa", was forced underground by threats to this life by PDF operatives openly "covering" his apartment. After a personal visit by an Interamerican Press Association committee, he surfaced two weeks later.

b. Freedom of Peaceful Assembly and Association.

Although Opposition meetings and non-violent protests by the Spadafora family have been allowed, they are normally harassed by PDF goon squads and preceded or followed by government meetings of "support" for the PDF, at which the participants insult and threaten physical violence upon those who participate in the protest movements.

c. Freedom of Religion.

All religious groups operate freely in Panama, although as a consequence of the Spadafora murder protest movement, which started publicly with a brother and sister of the late Hugo Spadafora chaining themselves to the flag mast of the Vatican Embassy, PDF ordered a massive campaign against the Nuncio, Monsignor Laboa, in the government press, and Visas for foreign catholic priests and nuns were not renewed as was the norm.

Section 3. Respect of Political Rights.

The Rights of citizens to change their government.

Since October 1968, when the constitutionally elected government was overthrown by the PDF, Panamanians have not had the right to change their government. Efforts for a transition towards Democracy have run up against the ambitions of continued power by the PDF's corrupt High Command. Panama is a Military Dictatorship with a cosmetic democratic facade.

Economic, Social and Cultural Situation.

The economic situation continues stagnant, with a high level of unemployment and extreme social pressures. Recent government economic and social programs were protested by all significant economic and social organizations of all ideological leanings.

The lack of legitimacy and credibility of the PDF government has rendered it exhausted and unable to effectively govern the country. The situation seems to point towards radical changes, either towards a more legitimate participative political system, or a government under the gun with extreme Human Rights abuses and violence.

Excerpt from Country Reports on Human Rights Practices for 1985, Pp. 640 thru 649

PANAMA

Although Panama has a civilian President, the Panamanian military continues to dominate national politics. Nicolas Ardito Barletta, Panama's first directly elected president in 16 years, was unable to complete a year in office. Under extreme pressure from the country's military leadership and from his own ruling party, he stepped down on September 28; First Vice President Eric Arturo Delvalle became Panama's fifth president in three years.

The belief was widespread that the results of the 1984 elections, in which Barletta was declared the winner by a scant 1,713 votes, were rigged. Barletta failed to forge a national consensus on handling Panama's heavy foreign debt and overcoming its economic recession. Finally, in the aftermath of the September murder of Hugo Spadafora. Barletta was caught between opposition demands for a special inquiry and PDF resistance to the idea by the Panama Defense Forces (PDF)..

Panama continues to be confronted by economic difficulties. It is estimated that 1985 economic growth again will show a per capita decrease. Unemployment continues around twenty percent. The Barletta government had some initial success in attaining a new standby agreement with the International Monetary Fund. However, agreement on a second structural adjustment loan from the World Bank has been delayed by the Government's inability to obtain domestic political agreement on structural economic reforms.

Panama's Constitution guarantees broad individual and civil rights, and in most spheres of life these rights are exercised freely. Opposition media are active, although they allege official harassment, especially of radio and TV. The civil and human rights climate in Panama has been marred by the removal of the elected president and by two violent incidents in which there have been allegations of PDF complicity: the kidnapping and beating of a prominent opposition political figure, and the brutal murder of Spadafora.

RESPECT FOR HUMAN RIGHTS

Section 1 Respect for the Integrity of the Person, Including Freedom from:

a. Political Killing

Dr. Hugo Spadafora, a former Vice-Minister of Health and a guerrilla leader, fought in Guinea-Bissau and on both sides in Nicaragua. Spadafora had been a bitter critic of PDF Commander Noriega, whom he accused of involvement in drug traffic. According to his family, Spadafora had planned to return to Panama City from Costa Rica, where he was living, on September 13. He never arrived. The following day a headless body was found in Costa Rica near the Panamanian border. Fingerprints identified it as Spadafora's.

The PDF's immediate public reaction was to deny having any record that Spadafora ever re-entered Panama and to posit that he had been killed by an unknown guerrilla group. However, a report of the Costa Rican Organization for Judicial Investigation states that Spadafora was seen by witnesses entering Panama September 13 and that other witnesses saw him being removed from a bus by a PDF member. These events were also confirmed by several witnessed in Panama, according to a report made public by Panama's Attorney General October 24.

Opposition leaders and the Spadafora family demanded that an independent commission be appointed to investigate the crime, saying that a regular investigation by the Attorney General would only whitewash the PDF. The Archbishop of Panama and the Papal Nuncio espoused the cause. (In response, the PDF-controlled newspaper Critica warned the Nuncio against "meddling" in Panama's internal affairs.) Numerous professional, business, civic, labor, and political groups also expressed lack of confidence in the official investigation.

President Barletta claimed that he did not have the constitutional right to appoint an investigative body independent of the Attorney General, but a few days prior to his ouster he recommended that the Attorney General consider appointing a special advisory committee. PDF Commander Noriega publicly stated his opposition to the formation of such a committee, and oppositionists charge that this was why he moved against Barletta.

Both Spadafora and Mauro Zuniga, an opposition leader kidnapped the previous month by unknown assailants (see below) had the inscription "F-8" on their backs. This link raises the possibility that some sort of death squad may be operating in Panama. Some speculate that "F-8" is the successor of the infamous Seventh Force, a pro-government squad that was active during the 1984 elections.

b. Disappearance

On August 21, 1985, Dr. Mauro Zuniga, the head of the umbrella opposition group COCINA (National Civil Coordinating Committee), was abducted at gunpoint from a restaurant in Santiago, Veraguas Province. Some hours later, Zuniga was found along the side of the road in the far western Province of Chiriqui, badly beaten but alive. His abductors did not identify themselves or make any demands. The only lead was the inscription "F-8 terrorist" which had been scratched on his back with a ball point pen. The opposition press blamed the PDF intelligence unit for the kidnapping. The PDF promised a full and prompt investigation, but to date there have been no leads or arrests in connection with the case.

c. Torture and Cruel, Inhuman, or Degrading Treatment or Punishment

The Constitution prohibits measures that harm the physical, mental, or moral integrity of persons under detention. While opposition sources occasionally complain about the treatment of detainees, there is no indication of widespread or systematic abuse of prisoners.

Overcrowding in Panama's prisons continues to be a major problem. This is attributed to a lack of economic resources. The average population of the Central Men's Prison in Panama City, built in 1925 to accommodate 225, is now well over 700, and most detainees sleep on the floor. Supplemental foodstuffs and other prison services not normally provided may be purchased by those able to afford them. There have been occasional newspaper articles decrying the conditions in the prisons and charging that they constitutue a violation of internationally recognised human rights.

PANAMA

d. Arbitrary Arrest, Detention, or Exile

The Constitution provides for habeas corpus and requires warrants for arrest, except for those arrested while committing a crime. The 1983 amendments to the Constitution strengthened procedural safeguards for arrested individuals. The police must inform an accused person immediately of the reasons for his detention and of his constitutional and legal rights. Failure to make such charges personally to the accused has led to invalidation of sentences.

The Constitution states that a suspect may be detained for no more than 24 hours without being charged and brought before a magistrate. However, on August 8, 1985, Michael Petrovsky, a U.S. citizen, and Pedro Rognoni were detained by the investigative branch of the PDF (the Departamento Nacional de Investigaciones, or DENI) and accused of masterminding an alleged cocaine-smuggling scheme. The lawyer for the two filed a writ of habeas corpus, charging that they had been arrested without a warrant as required by the Constitution, and that the Government had no proof that a crime had been committed since the cocaine had apparently left the country. The Supreme Court denied the writ, ruling that DENI had sufficient, though unspecified, evidence to hold Rognoni and Petrovsky. After two months of detention without charge, Petrovsky was released on October 15, 1985. Rognoni remains in custody.

Some opposition groups have claimed that detainees are held incommunicado for up to a week after arrest before being brought before a magistrate, but there were no confirmed instances of this in 1985. An accused may be held in custody after being charged for as long as it takes to conduct the investigation and bring the case to trial. In some cases, primarily involving people of lower economic classes, pretrial detention has lasted as long as eight months. Such time is credited against any sentence imposed following conviction.

Under Panama's criminal code, a convict may be required to perform labor on public works projects if the sentencing judge so specifies. The prisoner's sentence is reduced by two days for every day spent in such work. This is the only legal provision for compulsory labor.

e. Denial of Fair Public Trial

Persons charged with crimes are presumed innocent until proven guilty and have the right of counsel. The local bar association provides a public defender service for the indigent. The current court process allows for written presentations by the prosecution and defense without the presence of the accused. The documents produced are available for examination by both sides. According to authorities, the burden of proof rests on the prosecutor, but the right to appeal the verdict is available to the prosecution as well as to the defense. A new penal code was enacted in 1983, and a revision of the judicial code is under way. The proposed judicial code mandates public trials based on oral testimony and argument and gives the accused the right to be present.

Panamanian and foreign observers have noted that juvenile delinquents are occasionally tried and incarcerated as adults, especially when they are considered to be hardened criminals. Although the Constitution prohibits self-incrimination, there have been media reports that juveniles and poor people with criminal records have been detained and pressured during interrogation to confess to crimes they may not have committed. Other reported practices -- publicly criticized in the Panamanian press by government officials and private citizens -- include summary proceedings and convictions for misdemeanors by "night court" judges without duly prescribed defense counsel. A credible report stated that 251 of the 547 prisoners at the penal island of Coiba had been sentenced by "night court" judges and that all but four had been convicted and sentenced on the same night they were arrested. Many of these prisoners had been given the maximum sentence of one year.

The Supreme Court is chartered to uphold the Constitution and the laws, and magistrates and judges are legally independent. The constitutional article on the judiciary itself was extensively redrafted to help strengthen its independence from the executive branch by making explicit its right to rule on and annul administrative acts. Magistrates are also now barred from simultaneously holding other public office or otherwise participating in politics. However, there are widespread charges that the judiciary is subservient to the PDF. Panamanian opposition groups believe the Spadafora and Zuniga cases have strengthened that view.

f. Arbitrary Interference with Privacy, Family, Home, or Correspondence

Private family life generally is respected. Under the Constitution, judicial warrants must be issued before officials may enter homes.

Both government and opposition media have reported that many government employees are forced to join the political party of the individual who heads the agency in which they work or face dismissal. As cabinet shifts occur, these employees often change political affiliations. There have also been frequent and credible charges that government employees are required to take part in official demonstrations.

Section 2 Respect for Civil and Political Rights, Including:

a. Freedom of Speech and Press

The Constitution guarantees freedom of speech, press, and other forms of communication. There is no interference with academic freedom. The views of government opponents are made known through their speeches, and through the press and radio. The main opposition newspaper, La Prensa, the tabloid Extra, and various radio commentators publicly criticize government programs and policies. Opponents also freely and often vehemently criticize Panamanian civilian and military officials, including the President and the Commander of the PDF. In the context of President Barletta's forced resignation the opposition papers La Prensa and Extra again came under considerable pressure. During the night of September 27-28, PDF intelligence personnel surrounded La Prensa. Nevertheless, La Prensa's normal edition of the 28th was delivered, albeit late. However, the opposition tabloid Extra claims all 7,000 provincial editions of that date were confiscated. The city edition went out without incident.

In the extremely tense atmosphere after the Spadafora murder, opposition columnist Guillermo Sanchez Borbon went into hiding after announcing that military intelligence intended to arrest him. His column did not appear for several days. Other opposition press employees have spoken of incidents of intimidation, particularly telephone threats. In mid-October television and radio commentators were warned by a high-ranking member of the PDF not to criticize the military establishment and to reduce or eliminate coverage of the Spadafora case. One opposition commentator permanently canceled his radio broadcast, citing official pressure. In this same period, there were unusual sporadic interruptions of electric power during opposition radio and TV news broadcasts on the occasion of opposition protest demonstrations.

The three newspapers of the ERSA media group are responsive to directives from the PDF and Government. Absent guidance, however, individual columnists write freely about a wide range of topics. ERSA became a center of attention in March of 1985 when the Inter-American Press Association (IAPA), which was holding its annual meeting in Panama at the time, passed a resolution calling for the return of the ERSA papers to their previous owners, who include opposition leader Arnulfo Arias. The papers had been expropriated following the 1968 military coup that led to the rise of the late General Omar Torrijos. Employees of ERSA replied by holding a mock funeral for IAPA, an event that received broad coverage in all three ERSA dailies.

Law 11 of 1978, which allows for the closing of newspapers and the jailing of owners without due process, continues in force despite requests by the opposition media and the Inter-American Press Association that it be repealed.

Opposition groups have experienced serious problems gaining access to the electronic media, with all but one Panamanian television station and over 90 percent of radio stations controlled either by the Government or by pro-government groups. Opposition groups assert that they are unable to acquire radio or television licenses from the Government.

In the course of a particularly bitter election in the banana workers' union of Bocas Del Toro Province in February 1985, the opposition radio station "Ondas Del Caribe" was bombed. No one was charged in the incident. The station was later fined heavily for having hired an illegal Nicaraguan technician. In June 1985 a government station in Bocas Del Toro, Radio Teribe, was severely damaged by arson. Again, no charges have been filed in the case.

There is no censorship of foreign newspapers, magazines, books, or cable television programming.

b. Freedom of Peaceful Assembly and Association

The Constitution guarantees the right of peaceful assembly. Twenty-four hours' advance notice but not government permission is required for open-air meetings. Professional, social and political groups meet without interference in Panama.

Panama has a well-established organized labor movement and a liberal labor code, and union rights are generally respected. Panama has both politically aligned and independent labor organizations. One of the strongest groups is a local of the American Federation of State, County and Municipal Employees (AFSCME), and a second is the regional branch of the National Maritime Union, both AFL-CIO affiliates. Union elections are democratic and generally free from government interference.

The Government periodically consults with the major labor organizations on a range of public policy issues. Both collective bargaining and strikes are constitutionally guaranteed worker rights, although government regulations restrict or forbid these practices for certain public sector employees. However, the Government appears not to have taken action against public employees of various agencies who struck during 1985. The rights to organize and strike are likewise restricted for employees in the Colon Free Zone and the offshore banking industry, which is a source of concern within the democratic trade union movement internationally.

A controversial issue in 1985 was the perceived need to reform the labor code in order to stimulate investment. No legislative proposals have as yet been publicized, and it is unlikely that any legislation would pass that would adversely affect internationally recognized worker rights.

The PDF has taken strong measures against certain demonstrators. In May 1985, the PDF used riot police and combat-equipped troops to break up a demonstration by residents of two neighborhoods that were to be affected by the construction of a new garbage dump. The riot police reportedly used clubs, rubber hoses and cattle prods indiscriminately, even beating a legislator who represented the area in the Legislative Assembly. The demonstration was broken up when regular troops armed with tear gas, shotguns, and M-16 rifles arrived. The Minister of Government and Justice, the nominal civilian head of the PDF, denied that he had ordered the riot police to attack the demonstrators. He said that the commander on the scene was responsible for taking whatever measures he deemed necessary.

The PDF did not interfere with the funeral of Hugo Spadafora or with a large rally and march led by the Spadafora family and opposition groups October 9 to protest alleged PDF involvement in the murder and to demand a special investigative commission.

c. Freedom of Religion

The Constitution guarantees religious freedom to all, and there is no state religion. There are no restrictions on the free exercise of religious beliefs, including proselytizing, and a broad range of religious groups operates freely in Panama. Religious beliefs are not an issue in any of the national political parties.

d. Freedom of Movement Within the Country, Foreign Travel, Emigration, and Repatriation

The Constitution permits Panamanians to move freely within the country and to emigrate, and these rights are honored in practice. It also prohibits compulsory exile and extradition of Panamanian nationals to other countries. Some persons exiled by previous regimes have returned and resumed full participation in Panamanian society. Exiles choosing to remain abroad have been publicly urged to return to Panama. Panama has accepted displaced persons of widely differing ideological persuasions, and hundreds of displaced persons and self-imposed exiles from other countries reside in Panama. Several hundred Salvadorans originally sponsored by the Government of Panama are now supporting themselves in a resettlement village. Perhaps as many as several thousand Cubans are now in Panama awaiting onward emigration; there has been a sharp increase in the number of Nicaraguans entering Panama as well. No cases of forcible repatriation of political exiles occurred in 1985.

However, the influx of displaced--and largely disadvantaged--persons from Central America has resulted in newspaper articles warning of a "migration bomb." In August, PDF Commander Noriega pledged that the PDF would do all in its power to close the borders to illegal aliens from Central America.

Section 3 Respect for Political Rights: The Right of Citizens to Change Their Government

The 1984 general elections, the first direct presidential and legislative elections in 16 years, have continued to be a source of discontent. It is now widely accepted in Panama that Nicolas Ardito Barletta did not win the elections in 1984, but rather that the PDF engineered his victory by tampering with the vote-counting procedures. This perceived lack of legitimacy made it difficult for Barletta to operate effectively. The leading role of the PDF in removing him confirmed the widely-held view that Barletta was not independent of the military establishment.

The circumstances surrounding Barletta's departure call into question the results of the process of transition from military rule to democratic civilian government. On this subject PDF Commander Noriega was quoted by the Spanish paper El Pais as saying, "The Panamanian Defense Forces have a role of guidance toward complete democracy. This is a period of transition. ...We attempted to leap toward full democracy, but that leap did not lie within the scope of national realities."

On the other hand, the Legislative Assembly elected in 1984 is, with a few notable exceptions, a legitimately elected body. There are opposition complaints that the majority Partido Revolucionario Democratico (PRD), which is considered to be controlled by the PDF, consistently manipulates debate and unjustly declares opposition legislators out of order when they try to speak. However, there are numerous occasions when the opposition side of a debate comes through in radio and print media coverage. There have also been a number of sharply split votes, with the PRD winning only by dint of its one-vote margin of absolute majority.

Section 4 Governmental Attitude Regarding International and Nongovernmental Investigation of Alleged Violations of Human Rights

The Government has espoused human rights causes in the Organization of American States, the United Nations, and elsewhere. A private human rights committee formed in Panama in 1978 continued to operate freely in 1985 and expressed concern over the local political and human rights situation.

Articles and editorials critical of the PDF's record on human rights and listing specific violations appear frequently in the opposition press, many signed by the members of the human rights committee.

Amnesty International Report 1985, which covers events in 1984, did not mention Panama. Freedom House rates Panama "partly free."

PANAMA

ECONOMIC, SOCIAL, AND CULTURAL SITUATION

Panama's total population in 1985 was estimated at 2,180,000; the annual population growth rate rose to 2.1 percent in 1985 (from 1.8 percent in 1984). Real per capita gross domestic product was estimated at $2,075 in 1984, falling from $2,120 in 1983.

Recent economic performance has been weak, largely as a result of deteriorating regional and worldwide conditions. Approximately 22 percent of the country's population live in extreme poverty, unable to provide properly for basic necessities. Although a large percentage of the poor is found in rural areas, the trend toward urbanization has increased the number of poor in cities as well. Current estimates of unemployment rise to 20 percent, with estimates as high as 50 percent in the district of San Miguelito and the city of Colon. Infant mortality rose to 24.5 per 1,000 live births in 1985 (from 20.1 in 1984). Life expectancy at birth was 71.4 years in 1985. In 1980, 82 percent of the population had access to safe water (100 percent urban, 65 percent rural). The ratio of calorie supply available for consumption relative to nutritional requirements was calculated at 102 percent in 1977. All children attend grade school; the adjusted primary school enrollment ratio was 113.66 percent in 1982. The overall adult literacy rate was estimated at 87.10 percent in 1980, although the rate in rural areas was put at 61.8, while the urban rate was 93.7.

Panama has a comprehensive and complex labor code which provides liberal benefits to workers. Labor is prohibited for children under 14, or under 15 if the child has not completed primary schooling. All types of hazardous and night work are prohibited for children less than 18 years of age. Children from 12 to 14 are permitted to do farm work or domestic work as long as the work is light and does not interfere with schooling. The maximum work week is 48 hours, and the law requires that substantial bonuses be paid for overtime. The labor code requires compensation sufficient for a decent life for all work performed. The labor code contains extensive and detailed health and safety rules for all places of employment. The Ministry of Labor and Social Welfare attempts to ensure conformity, but its limited resources hamper strict enforcement.

Panama's social system and legal code accord equal treatment to women and men. The Constitution prohibits discrimination on the basis of race, birth, social class, sex, religion, or political views. Women are accorded equal political rights under Panamanian law. Women play an active role in political and governmental affairs, and hold a number of important positions. The 67 members of the new legislature include four women. Of the 134 alternate legislators, 23 are women. Three independent agency heads are women. Women also serve as the president of the ruling party, one of the three members of the electoral tribunal, and the Chief Justice of the Supreme Court. Several women's organizations, such as UNIDAD and Accion Feminina, are active in Panamanian politics. While Panamanian women enjoy full social freedom, they still do not have the same opportunities for advancement as do men. This reflects both traditional bias and the current difficult economic climate. As Panamanian law does not recognize community property, divorced or deserted women can be and on occasion are left destitute.

PANAMA

Female employment in urban Panama is concentrated in the service sector, where wages are generally lower. Although the constitution mandates equal pay for equal work, wages paid to women are frequently lower than those for equivalent work performed by males and increase at a slower rate. Comparatively fewer women than men participate in the labor force, and their participation seems to fluctuate as the job market expands and contracts. Government statistics showed that in 1978 (the latest available), women made up about 29 percent of the economically active work force. Particularly in the poorer areas such as San Miguelito, many women are heads of households obligated to work for the government, usually as street cleaners, in order to receive government support funds. The labor code gives pregnant employees 12 weeks mandatory maternity leave and the right to return to their jobs.

Panama is a racially mixed country. The traditional monopoly of power by persons of European descent was effectively ended with the ouster of the civilian president by the National Guard in 1968. Blacks, Asians, and mestizos are now active politically, and are represented at senior levels of Government and the Panama Defense Forces, and in the new legislature, where there are also five Indians.

Prominent among the minorities which retain some degree of separate identity are English-speaking Blacks of Antillean descent, Jews, Arabs, Greeks, Chinese, East Indians, and North Americans. All of these groups play roles in Panama's urban economy well out of proportion to their numbers. There is no discrimination in law against these or any other social, religious, or cultural groups, except that naturalized citizens are forbidden to hold certain categories of elected office, and retail trade is constitutionally restricted to native Panamanians. While innumerable exceptions exist, Caucasians, Asians, and mestizos tend to be better off economically and occupy higher positions in Government than Blacks and Indians; however, the latter groups participate fully in both the public and private sectors. Indian tribes receive government assistance, particularly in the areas of public health and welfare, and education. They are not restricted to their tribal areas, but most remain there by choice, reflecting longstanding resistance to assimilation. Indians enjoy full voting rights and all other rights of Panamanian citizenship and are politically active. They play significant roles in the government of four provinces. In October of 1984 President Barletta, in keeping with a campaign promise, named a Kuna Indian Vice Minister of Health, the first time an Indian has held cabinet rank in Panama. He became Vice Minister of Government and Justice (which controls Indian affairs) in the cabinet shuffle following President Barletta's ouster.

Panama's Kuna Indians mostly reside in a self-governing, semi-autonomous district, the comarca of San Blas, established in 1953. The Embera (Choco) Indians, who live in Darien Province, eastern Panama, gained government approval for their own homeland in 1983 when a law was passed establishing their autonomous district or comarca. The Ministry of Government and Justice has completed and passed to the legislature for action a proposed law creating a comarca for the numerous and widely spread Guaymi Indians of western Panama. The Guaymi are reportedly not satisfied with the geographic limits of the proposed comarca, which would encompass an area of mostly poor land on which only one-third of the Guaymi now live; the law is expected to be debated in the Legislative Assembly.

U.S.OVERSEAS -LOANS AND GRANTS- OBLIGATIONS AND LOAN AUTHORIZATIONS
(U.S.FISCAL YEARS - MILLIONS OF DOLLARS)

COUNTRY: PANAMA

	1983	1984	1985
I.ECON. ASSIST.-TOTAL	7.4	12.0	74.5
LOANS	3.8	5.0	7.9
GRANTS	3.6	7.0	66.6
A.AID	6.3	10.7	74.3
LOANS	3.8	5.0	7.9
GRANTS	2.5	5.7	66.4
(SEC.SUPP.ASSIST.)	0.0	0.0	50.0
B.FOOD FOR PEACE	1.1	1.3	0.1
LOANS	0.0	0.0	0.0
GRANTS	1.1	1.3	0.1
TITLE I-TOTAL	0.0	0.0	0.0
REPAY. IN $-LOANS	0.0	0.0	0.0
PAY. IN FOR. CURR	0.0	0.0	0.0
TITLE II-TOTAL	1.1	1.3	0.1
E.RELIEF.EC.DEV & WFP.	0.1	0.3	0.1
VOL.RELIEF AGENCY	1.0	1.0	0.0
C.OTHER ECON. ASSIST	0.0	0.0	0.1
LOANS	0.0	0.0	0.0
GRANTS	0.0	0.0	0.1
PEACE CORPS	0.0	0.0	0.0
NARCOTICS	0.0	0.0	0.0
OTHER	0.0	0.0	0.1
II.MIL. ASSIST.-TOTAL	5.5	13.5	10.6
LOANS	5.0	5.0	0.0
GRANTS	0.5	8.5	10.6
A.MAP GRANTS	0.0	8.0	10.0
B.CREDIT FINANCING	5.0	5.0	0.0
C.INTL MIL.ED.TRNG	0.5	0.5	0.6
D.TRAN-EXCESS STOCK	0.0	0.0	0.0
E.OTHER GRANTS	0.0	0.0	0.0
III.TOTAL ECON. & MIL	12.9	25.5	85.1
LOANS	8.8	10.0	7.9
GRANTS	4.1	15.5	77.2
OTHER US LOANS	0.0	0.2	0.0
EX-IM BANK LOANS	0.0	0.0	0.0
ALL OTHER	0.0	0.2	0.0

ASSISTANCE FROM INTERNATIONAL AGENCIES

	1983	1984	1985	1946-85
TOTAL	137.7	82.6	137.3	1321.0
IBRD	85.0	74.2	51.0	595.8
IFC	0.0	0.0	37.5	45.8
IDA	0.0	0.0	0.0	0.0
IDB	52.0	8.4	48.7	648.2
ADB	0.0	0.0	0.0	0.0
AFDB	0.0	0.0	0.0	0.0
UNDP	0.6	0.0	0.0	26.7
OTHER-UN	0.1	0.0	0.1	4.5
EEC	0.0	0.0	0.0	0.0

A few of the major corruption scandals uncovered by La Prensa - Panama:

1. Four million dollars in cash passed through personal account #13330-03-4 in Luis Carlos Noriega's personal account at Bank of America, Panama Branch. La Prensa published copies of deposit slips, checks, and statements. Noriega, a brother of Manuel Antonio Noriega, Commander of the Panamanian Defense Forces, held a position in the Electoral College. He indicated that the money was being held for peruvian friends worried about the political situation in their country.

2. Ninety one and a half million dollars were lost in a Social Security housing scam in less than one year. Sentences were applied against the Director General and other officials directly or indirectly connected to high level officers of the Panamanian Defense Forces. All accused have appealed and have avoided arrest.

3. Forty million dollars were lost in undocumented loans by the National Financial Corporation (COFINA) to government related cronies. COFINA has since been closed due to these losses. No government official has been arrested.

4. Thirty million dollars have been lost on the new VanDam bridge project across the Panama Canal. The bridge construction was permanently suspended and no government officials have been arrested.

5. A hundred million dollars is estimated to have been lost in the government's Copper Mine Development Corporation (CODEMIN). No government officials have been accused or arrested. CODEMIN no longer operates.

In conclussion, in these five cases, a total of two hundred and sixty five and a half million dollars ($ 265.500.000.oo) have been lost through corruption of the panamanian regime.

San Antonio Light

MONDAY, JUNE 10, 1985

Panama a haven for traffickers

Panama is a safe haven for narcotics traffickers and guerrillas who have financed their arms purchases through the narcotics trade. The country's tight bank secrecy laws, the venality of some of its bankers and the layers of corruption in its political and military establishment allow wholesalers to spend their ill-gotten wealth unimpeded by law enforcement efforts.

FIRST IN A SERIES
SUBVERSION/A4

Today, The Hearst Newspapers begins a series by Knut Royce on Panama's little-understood role in the narcotics trade.

By KNUT ROYCE
The Hearst Newspapers

PANAMA CITY, Panama — The plot was hatched in Havana. The final outcome was bloodshed off Colombia's Pacific coast, but Panama is what made it happen.

It was on a steamy November day in 1931 that a medium-sized freighter, the Karina, entered the Panama Canal at Colon, on the Atlantic side of the isthmus, to begin the eight-hour journey to the Pacific. The crew and captain were from the Eastern bloc.

What set this ship apart from the 40 others that passed through that day was that it was on its final voyage.

The 40-mile canal crossing was uneventful. But shortly after it passed through the last locks at Balboa, The Hearst Newspapers have learned, it took on some unlikely cargo at the fishing port of Vacamonte: a new captain and crew, tons of weapons and a small contingent of insurgents belonging to the M-19 organization that was waging guerrilla warfare in Colombia.

"The M-19 was not aboard when it transited (through the canal)," said a U.S. intelligence official with intimate knowledge of what happened that day. "After it transited, the captain changed. The whole crew changed. The captain and the crew now were Panamanians. The M-19 came on. There's no official record of its being in Vacamonte. But there's information that's where it was."

The fishing port of Vacamonte is a 20-minute drive west of here. It is not a typical fishing port. Security guards refused access to a reporter and photographer to the port. In the past, they also have refused access to U.S. Drug Enforcement Administration agents.

The largest fishing fleet there, ranging at various times from two to four dozen ships, belongs to Cuba. And the vessels, apparently, do not always carry fish.

The Karina on that day four years ago was on a mission sponsored by Cuba.

The mission's organizer was a major Colombian narcotics trafficker, Jaime Guillot-Lara, a fugitive from a 1982 U.S. federal drug indictment. Cuba had allowed him to tranship narcotics into the United States. In return, he used his smuggling network at the behest of the Cubans to move guns to the M-19.

Several days after passing through the canal, the Karina offloaded some of its weapons to another of Guillot-Lara's ships, the Monarca.

A short time later, the Colombian Navy sank the Karina with about 100 tons of weapons and supplies still in the hold, killing an estimated 20 persons. Three low-level M-19 members were rescued, as was the Panamanian captain, although he died while in custody.

The following year, Thomas Enders, then assistant secretary of state for inter-American affairs, testified before a Senate Committee that Guillot-Lara had received $700,000 from Cuba to buy the arms and had "also transferred funds to the guerrillas through an employee of a Panamanian bank."

The Guillot-Lara-Cuba alliance was a classic example of what officials now are calling narco-terrorism, the symbiotic relationship between narcotics and subversion.

There were other times when Guillot-Lara used Panama as a stopping point in his gun-running missions. And not all of them failed.

A month before the sinking of the Karina, the M-19 guerrillas had hijacked a DC-3 cargo plane belonging to Colombia's Aeropesca airline.

As Guillot-Lara watched on a secret airstrip in Colombia, the plane was loaded with 55 crates containing 10 Belgian FAL rifles each and 90 boxes, each holding 1,000 rounds of 7.62mm ammunition.

The pilot flew the aircraft to the Orteguaza River, where he was forced to land in the water. Over the next several days the freshly armed guerrillas raided several small towns in the area.

The day after the plane was ditched, it was discovered by Colombian authorities. The empty crates showed that the arms had been packed in Colon, Panama.

(more)

For years M-19 guerrillas have passed through Panama on the way to Cuba for training. They also returned through Panama, picked up weapons and sneaked back into Colombia. Occasionally they have been caught, as was the case in April 1981, when a group re-entering Colombia through Ecuador was ambushed by the Colombian army.

Panama is an often-baffling U.S. ally. It is strategically important to the United States because of the canal, which comes under full Panamanian control in the year 2000, and the U.S. military installations in what once was the Canal Zone.

The U.S. Southern Command, which would play a critical role in any military action in Latin America, is based here.

Panama is a quixotically charming tropical nation populated both by a well-educated service sector and primitive Indian tribes. It also is struggling to sustain its reborn but tenuous democracy, overshadowed by an all-powerful military that prefers making dollars on the side to oppressing the population.

The national pastime is the pursuit of cash.

"It's like an old Humphrey Bogart movie," a Western diplomat said recently. "You want to do something — legal or illegal — go to Panama with enough money. You can find a way of doing it. You keep your nose clean and you bring in money to keep Panama (in the) green, you're a good citizen."

Panama, through its banks, is the leading laundering center for cocaine and marijuana traffickers, and many of the deals are made in the bars of its hotels and downtown law offices.

"The thing that makes Panama so significant to me, and to most of us," said a senior law enforcement official in Washington, "is that not only is it the center for laundering proceeds, but it's a center for cutting up the deals, for making payments, for meetings. It's like the corporate center for drug trafficking."

Unlike other banking centers with tight bank secrecy laws, such as the Dutch Antilles, Switzerland or the Cayman Islands, which have agreements with the United States to reveal bank information in certain felony cases, there are no bilateral agreements here and secrecy is absolute.

Corporate records do not indicate true owners. Many of the bank accounts are numbered and some of the bankers do not ask questions when suitcases of $20 bills are delivered by the armored cars.

In addition, according to U.S. officials, the Panamanian Defense Forces (PDF), also responsible for law enforcement, often are more aggressive in making a dollar out of the drug traffic than in stopping it.

In a scathing staff report earlier this year, the House Foreign Affairs Committee quoted a "knowledgeable U.S. source" as saying: "The Panamanian Defense Force is the axle around which the wheel of corruption turns."

"This corruption is endemic and institutionalized," the report said.

Gen. Manuel Noriega, the head of the Defense Forces, dismissed the report as "political."

The military also has run guns to leftist groups, although it is widely believed that these operations were motivated by profit rather than ideology.

In 1979, a member of the military's intelligence apparatus, the G-2, was indicted in Miami in an arms smuggling operation on behalf of the Sandinistas.

The following year, one of its planes crashed while delivering arms to Salvadoran guerrillas.

In 1981, a pilot for the Defense Forces was arrested in Texas for trying to fly a Huey helicopter to Nicaragua.

Ricardo Arias Calderon, the head of the opposition Christian Democratic party and unsuccessful candidate last year for vice president, argues that the same apparatus initially set up to smuggle guns a few years ago has turned to more-profitable narcotics trade.

"In the late 1970s a network in Panama having to do with the Nicaraguan revolution developed," he said in an interview. "It was used for funneling men, arms and establishing a network of planes and clandestine contacts with officials in Cuba, Venezuela, Panama, Costa Rica, Nicaragua and Miami."

It was set up, he said, by the late populist dictator, Gen. Omar Torrijos, "who wanted to play a leading role as the Third World leader for the region."

Arias Calderon said that Torrijos began by helping arm the Sandinistas and later the M-19 guerrillas, whom he also urged to take "a more political course."

"There then were clear indications that the network was beginning to function in favor of the Salvadoran guerrillas," he said.

But over the past two years, he said, "some of the same names and planes used in this network were also used to form a network for drug trafficking. The more they became involved with Colombia, the more there was the opportunity of shooting two birds with one stone."

Helping fuel this shift, he said, was the crackdown on drug traffickers in Colombia, which started more than a year ago. Many U.S. law enforcement officials agree that the growing pressure against traffickers in Colombia has resulted in a partial shift of activity into Panama.

Running guns and dope or laundering drug money are tolerated, if not officially sanctioned, because they bring cash, and the ultimate damage they cause is elsewhere.

What is not tolerated is the importation of trouble. Cuba's Fidel Castro found that out early in his career.

In 1959 a team of 100 Cuban guerrillas landed in Panama to subvert a then-democratic government. They were quickly kicked out, although not before a young Panamanian officer, Omar Torrijos, took a slight bullet wound during a skirmish.

After that sad lesson, however, Castro came to learn that Panama could be much more useful as a pipeline.

He and Torrijos became best of friends, and Cuba and Panama have become lucrative trading partners. Of the 54 companies and individuals worldwide designated by the U.S. Commerce Department as Cuban "fronts" set up to purchase Western goods, 35 are in Panama.

# # #

Drugs, terrorism go hand in hand

By KNUT ROYCE
The Hearst Newspapers

PANAMA CITY, Panama — The symbiosis of narcotics and subversion is a relatively new phenomenon.

An exception was the disclosure in 1973 of an official Bulgarian import-export agency, Kintex, which facilitated the transiting of Turkish morphine base through Bulgaria and on to Marseille, where it would be converted to heroin.

In return, it was reported in Newsday, the traffickers smuggled guns to a Turkish left-wing group.

But over the past several years this marriage of convenience has taken roots elsewhere, most notably in Latin America, but in the Middle East and the Far East as well.

Testifying at a Senate committee hearing last month, David Westrate, deputy assistant administrator for the Drug Enforcement Administration, described the "emerging trend of using drug trafficking to support political ends" as a "major change in the historical pattern of drug trafficking."

During the 1980s, he said, the traditional profit motive has been replaced in many instances by "political activists, subversives and even some high government officials" who have turned to narcotics "to finance political objectives."

For example:

☐ COLOMBIA: The Westrate testified last month that Carlos Lehder, a major Colombian cocaine dealer, had told a Spanish television network in January that cocaine was the "atomic bomb" for Latin America to use against U.S. imperialism and that he had established contacts with the M-19 guerrilla organization.

U.S. officials say that all five guerrilla groups in Colombia — the M-19, the Revolutionary Armed Forces of Colombia, the National Liberation Army, the Popular Liberation Army and the Pedro Leon Arboleda group — finance operations by taxing marijuana growers and protecting cocaine labs.

Carlton Turner, special assistant to President Reagan for drug-abuse policy, said in an interview that Colombian authorities had told him that in 1983 alone the Colombian Revolutionary Armed Forces (FARC) earned $80 million from the drug trade.

"There were strong indications that they had purchased so many weapons with that money that they sold many to other groups," Turner said.

And, just before his death in a plane crash while flying into Panama in 1983, Jaime Bateman, the leader of another Colombian insurgent group, M-19, publicly confirmed that he had purchased arms from Portugal's black market with "protection" money from drug traffickers.

☐ PERU: In this leading coca plant-producing nation, according to State Department reports, the Maoist Sendero Luminoso terrorist group is said to have forged alliances with coca plant growers and traffickers, earning considerable political support from peasants, who view the eradication program as a threat to a historical source of income.

☐ NICARAGUA: Last year Rodolfo Palacios Talavera, first secretary at the Nicaraguan Embassy in Ottawa, was expelled after he was found with $100,000 worth of cocaine. A police informant said Palacios was part of a major drug ring that included Interior Minister Tomas Borge.

Last year, too, a Borge associate, Frederico Vaughan, was indicted in Miami for allegedly assisting Colombian traffickers in an attempt to ship 1,500 kilos of cocaine into the United States.

☐ HONDURAS: Last November, the FBI uncovered a plot to assassinate the president of Honduras. A group of dissidents, including a Honduran general, planned first to sell large amounts of cocaine and then to use the proceeds to finance the overthrow of the government, according to U.S. authorities.

☐ EL SALVADOR: Earlier this year, customs officials in Texas arrested Francisco Guirola, an intimate friend and lead fund-raiser for El Salvador's rightist opposition leader, Roberto d'Aubuisson. Inside eight suitcases on a private Sabreliner jet was a total of $5.9 million in $20 and $100 bills.

The dope may be grown elsewhere and the guns may be sold far from its borders, but Panama increasingly is the catalyst that brings the two together.

San Antonio Light

June 11, 1985

Panama's powerful figure in drug money laundering

For years, Panama has been a safe haven for narcotics traffickers and guerrillas who have financed their arms purchases through the narcotics trade. Now it has become a trading ground for traffickers who are "washing" billions of dollars through what authorities claim is the world's largest cocaine and marijuana money laundry. In a country whose national pastime is pursuit of money, there is an essential relationship between the narcotics trade and the official corruption that allows it to flourish.

By KNUT ROYCE
The Hearst Newspapers

■ SECOND IN A SERIES

PANAMA CITY, Panama — In 1972, U.S. narcotics agents recommended to their boss that he consider the "total and complete immobilization" — the code phrase for assassination — of Lt. Col. Manuel Noriega, then the head of the Panamanian military's intelligence unit, because of his alleged narcotics activity.

U.S. officials rejected the recommendation, and today the would-be victim is Gen. Noriega, commander of the Panama Defense Forces, PDF, and, by most accounts, the most powerful man in the country.

But U.S. law enforcement suspicions of Noriega's alleged role in narcotics trafficking have not abated.

"He's under investigation by everyone," said a federal narcotics investigator in Miami, where much of the cocaine and marijuana shipped or financed through Panama ends up.

No formal charges ever have been made against the enigmatic defense chief, and if U.S. agents have proof of his direct involvement in narcotics trafficking they guard it as tightly as a national security secret.

But the evidence is overwhelming that officers in his 15,000-man Defense Forces, which have military and law enforcement duties, are involved in at least protecting the trafficking of drugs and the transportation of cash coming here to be laundered.

A scathing House Foreign Affairs Committee report released earlier this year described what it said was pervasive military corruption.

"Under previous governments, members of the PDF were encouraged to take second 'jobs,' including drug trafficking, to supplement their income," the report stated. "Allegations persist that high-ranking military officials are involved in protection or actual trafficking themselves."

The Hearst Newspapers interviewed more than 24 federal agents who have investigated narcotics cases with links to Panama, as well as military and business officials in Panama and the United States. They detailed the links between official corruption and the burgeoning narcotics industry.

Much of the narcotics-related activity, the U.S. officials said, occurs at the military Tocumen Airport, which also handles cargo. It is adjacent to Panama City's commercial Omar Torrijos Airport.

It was here, for instance, that on May 18, 1982, a Convair 880 left for New Iberia, La., with a load of what was alleged to be specially prepared livestock feed to tranquilize airborne cattle. But U.S. officials had been tipped and when U.S. Customs agents opened the "feed" sacks they found, instead, 1,197 pounds of cocaine, which had been loaded in full view of Panamanian military personnel at the airport.

The cattle feed-shipping operation was run out of a fixed-base operation at Tocumen that was owned by a naturalized Panamanian named Jorge Baena-Robinson.

He and three others subsequently were indicted by a federal grand jury in Louisiana on four narcotics-related counts. The four are listed as fugitives.

Baena already had a track record of alleged involvement in drug trafficking, and in at least one earlier instance a smuggler caught in the United States told agents that the narcotics had been shipped through Baena's operation, sources said.

"On two previous occasions he (Baena) had been called (by the Drug Enforcement Administration) to the attention of Noriega," said an official familiar with the case. "As this particular case was coming down, (DEA agents) had to go to the Panamanian Defense Forces intelligence section, the G-2 (then headed by Noriega), and asked for certain things to be done very quickly."

The DEA has no law enforcement authority in foreign posts.

"They weren't done very quickly," he said. "As a matter of fact, by the time the Panamanian forces got around to looking for this guy (Baena), by the time they looked for him, why, lo and behold, he had managed to escape to, they said, Caracas. Baena managed to do a miraculous escape (via Tocumen Airport). Nobody gets out of Panama that they don't want to get out, especially at Tocumen, with all the controls they have there."

It was at Tocumen, too, that the INAIR cargo airline was based. A 1983 video-taped sting operation by U.S. Customs officials in Miami netted two Panamanian officials of the airline in a conspiracy to launder money for a 12 percent fee by smuggling currency aboard INAIR flights.

(more)

Federal law requires that anyone transporting more than $10,000 in cash out of the United States must declare it to U.S. Customs.

Abelardo Valdes-Guerra, the airline's general manager, was convicted and sentenced to six months in prison. During the trial, a video tape was shown in which the defendants discussed how the $2 million in cash concealed in cartons would arrive at Tocuman at 4:30 a.m. local time and then be protected until banks opened at 7:30 a.m.

"I have the connection to let them in at the airport," Valdes-Guerra said in the tape. "Try to come out by the military gate."

At another point he said, "I got military guards in the station. So it's no problem over there. I will tell the guards nobody can touch this."

Also introduced into evidence was a laminated business card that had been in Valdes-Guerra's possession. It bore the signature of Lt. Col. Alberto Purcell, a member of the PDF general staff and head of the air force.

The message, it appears, was intended for his subordinates at Tocumen. It said, "The bearer, Mr. Abelardo Valdes, is a personal friend of your superior. Whatever cooperation, I authorize and appreciate."

Last June, scandal once again rocked the airline. Customs agents at Miami International Airport found more than a ton of cocaine stuffed inside several freezers aboard an INAIR DC-8 cargo plane.

Only one man, a Colombian who had purchased the freezers at the Colon Free Trade Zone, was arrested. He pleaded guilty recently to a charge of conspiring to import the cocaine. The Colombian, Oscar Alfonso Cardona Donado, had been arrested by the Defense Forces and turned over to the DEA.

His Miami attorney, Joel Rosenthal, described Cardona as "the equivalent of a mule in this case." He said, "His financial ability to package such a deal clearly exceeds his income and wherewitha, multifold."

Someone who appears to have been much more than a mule in narcotics trafficking is Julian Melo, who, until last year, was Colonel Melo, general secretary of the Defense Forces' High Command and a protege of Noriega.

Melo's removal from the military is said to have been prompted by his alleged "protection" role, for a $2 million fee, in two apparently related narcotics-linked discoveries last year.

One was a major cocaine lab that had been set up but was not yet operating in the Darien Jungle near Colombia. The other was the discovery of a huge cache of ether, a chemical precursor for the manufacturing of cocaine, in a Colon Free Trade Zone warehouse.

The lab was discovered by pure chance, according to U.S. officials.

A fisherman had noted that a helicopter was offloading crates from a ship on the Pacific Ocean and transporting them to a deserted beach on the fringe of the jungle. From the beach the crates were hauled to a point farther inland.

He reported the strange events to the Defense Forces. Believing that they had stumbled onto a Colombian guerrilla landing party, the Defense Forces quickly dispatched scouts to the site.

They found, instead, a virtually completed laboratory. U.S. officials reportedly asked them to allow the lab to be completed and begin production before law enforcement forces moved in. That way, they would be given time to develop intelligence and then arrest the principals.

But the next morning, Panamanian troops swooped down, arresting 23 Colombian construction workers and a bewildered elderly cook. Since there were no drugs on the site, they had committed no crime — other than entering Panama without proper documentation.

They were kicked out of the country.

The ether was discovered soon after the closing of the Darien lab. Officials say that at least some of the ether was to have been used in Darien.

At Washington's behest, Defense Forces raided the Colon warehouse and seized 17,000 55-gallon drums of ether — enough to process a staggering 200,000 kilos of cocaine.

There is some confusion about what then happened to the ether. At least a portion, and perhaps all of it, was dumped into the ocean.

U.S. officials worry that the 2-year-old crackdown on narcotics trafficking in Colombia, especially of its cocaine labs, may have moved some of that activity into Panama. The Darien lab would support that concern.

Political ideology is a commodity that Noriega reportedly lacks. He is said to be a nimble manipulator who plays all sides against the middle.

He has, however, become sensitive to adverse news reports. Many Panamanians believe he is grooming himself for a run at the presidency in 1989.

A Panamanian photographer on assignment for The Hearst Newspapers was arrested by the G-2 after photographing Noriega's luxurious home in the nouveau-riche San Francisco district here. His official salary is less than $20,000 a year.

The photographer, Aurelio Jimenez, was released after two hours, but the film in the camera and another roll in the car's glove compartment were confiscated.

Panama's military, not unlike many others in Latin America, cannot make do on the official defense budget — $98 million this year — and goes to the free market place to supplement its income.

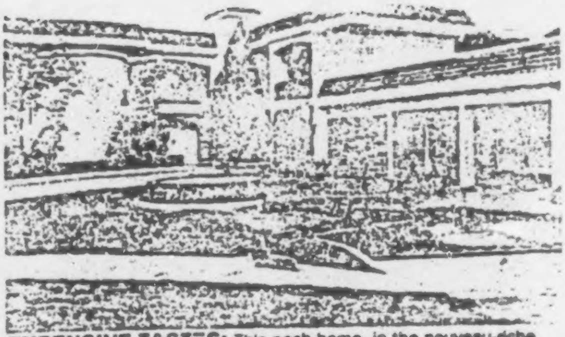
Panamanians and U.S. officials contend the military owns a number of legitimate businesses, such as the exclusive franchise for industrial explosives and a shipping business in the Colon Free Trade Zone called Transit S.A.

Unfortunately, some of the officers also have embarked on more shady businesses, including gunrunning, the protection of narcotics shipped through here and the importation of narcotics dollars.

What troubles one knowledgeable U.S. official is that the officers may be getting greedier.

ASSOCIATED PRESS

SIDE BY SIDE: Gen. Manuel Noriega, left, commander of the Panama Defense Forces, stands with ex-Col. Julian Melo, who as general secretary of the Defense Forces' High Command was cashiered from the military by Noriega for his alleged role in protecting narcotics traffic in the country last year. By most accounts, Noriega is the most powerful man in Panama.



EXPENSIVE TASTES: This posh home, in the nouveau-riche San Francisco district in Panama City, Panama, belongs to Cesar Rodriguez, a close associate of Gen. Manuel Noriega. Rodriguez crashed a Panamanian plane in El Salvador in 1980 while running guns to rebels.

Gunrunning plays part in Panama's complexity

By KNUT ROYCE
The Hearst Newspapers

PANAMA CITY, Panama — Carlos Wittgreen is one of those Panamanians whose name keeps cropping up in U.S. government files.

It is, for instance, included in the Commerce Department's list of Cuban "designated nationals" with whom Americans are barred from doing business.

Wittgreen is the agent for much of Cuba's commercial business here.

His name also came up as a defendant in a 1079 federal indictment returned in Miami after Bureau of Alcohol, Tobacco and Firearms agents broke up a ring smuggling guns to the Sandinistas, then in the final stages of their revolution in Nicaragua.

And his name, as the prosecutor in the case was to find out, also must have appeared in CIA documents.

The "intelligence community," according to the prosecutor, asked to have the case dropped because Wittgreen was designated to head security for the deposed and very ill Shah of Iran, who had found temporary haven in Panama.

Also in U.S. government intelligence files is the name of Cesar Rodriguez.

In June 1980, Rodriguez piloted a plane that crashed on a clandestine airstrip inside El Salvador. He had been running guns to the guerrillas.

Salvadoran officials, who found 22,000 rifle cartridges inside the wreck, said that a backup plane had recovered Rodriguez and many of the arms. They also said the plane belonged to the Panamanian Defense Forces, PDF.

Besides gunrunning for people the U.S. government did not much like, Rodriguez and Wittgreen have something else in common: they are close associates of Gen. Manuel Noriega, chief of the PDF and, by most accounts, the most powerful man in the country.

Noriega's chief spokesman is Maj. Edgardo Lopez Grimaldi, a burly and affable former diplomat who speaks English clearly.

Lopez, according to the 1979 gunrunning documents, had been Panama's consul in Miami and had helped Wittgreen shop for guns there.

Lopez was not indicted, but five others, including Wittgreen, were. The scheme involved buying more than 1,000 rifles and pistols, as well as ammunition, and shipping them to a Panamanian hunting and fishing club called Caza y Pesca.

Claiming that the weapons had been intended for the PDF, Noriega wrote a letter to Washington protesting the indictment.

There was an awkward problem. The Nicaragua national guard under the late dictator Gen. Anastasio Somoza had seized truckloads of the weapons as they were being smuggled in through the Costa Rica border. Their serial numbers matched those on the weapons that had been purchased by Lopez and Wittgreen and the four other defendants.

One of the defendants, according to a government affidavit, already had divulged to a Miami gun dealer that $2 million worth of weapons would be purchased and that they were intended for "Nicaraguan guerrilla forces," the Sandinistas.

The indictment was technically flawed and was withdrawn by the prosecution. But when Assistant U.S. Attorney R. Jerome Sanford started to prepare a new one, he began to get "a lot of pressure from (the U.S.) Justice (Department) to close the case," he recalled.

The intelligence community, he said, wanted the charge dropped because "the Shah was running around and Wittgreen was going to be the chief of security for the Shah."

It is this political versatility — running guns for leftist insurgents one day and providing protection to an ailing former right-wing dictator for the next — that leads many U.S. officials and Panamanians to believe that what motivates Wittgreen, Noriega, Rodriguez and others may be cash more than ideology.

Wittgreen recently told an acquaintance that he sees nothing wrong in his relations with Cuba.

"I am a businessman," the acquaintance recalled Wittgreen had said. "The United States, after all, does business with Russia and with China. What's wrong with my doing business with Cuba?"

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San Antonio Light

Drug money snowballing in Panamanian banks

With little fanfare, a U.S. negotiating team has begun a critical mission in Panama: the opening of bank records belonging to narcotics traffickers who are "washing" billions of dollars though what authorities claim is the world's largest cocaine and marijuana money laundry. Successful negotiations, the United States believes, would result in a major breakthrough in the war against narcotics and the political instability it breeds in the Western Hemisphere.

By KNUT ROYCE
The Hearst Newspapers

LAST IN A SERIES

PANAMA CITY, Panama — With its tiled roof, manicured hedge and tropical flowers gracing the entrance, the First Interamericas Bank looks more like a Mediterranean villa than a financial institution.

Something else distinguishes it from the 125 other banks that help shape the city's downtown skyline.

Awash in millions of narcotics dollars and a growing source of embarrassment to Panamanian authorities, the bank, owned by an indicted Colombian dope dealer, was closed by the government in March.

Rafael Arosemena, vice president of Citibank and president of the powerful Banking Association here, smiles when he recalls the event.

"It was," he said in an interview, "the first time in history that a bank was closed down because it was too liquid."

Concerned about Panama's "image of a center for laundering," he said, the association last September adopted a code of ethics that set a limit of $100,000 on any single cash deposit a bank can accept. And the government's Banco Nacional, which acts much like a central bank, also agreed to the $100,000 limit when accepting cash from the banks.

That is the good news.

The bad news is that since all of this happened, the laundering of narcotics dollars through the city's banks appears to be increasing.

A senior Treasury Department official said that excess cash flow from the Banco Nacional to the U.S. Federal Reserve Bank has increased dramatically over the past several months — a clear indication that [illegible] large amounts of cash continue to be deposited in Panama despite the self-set $100,000 limit.

And most of that cash, officials assert, comes from narcotics traffickers.

In a typical drug deal, a cocaine wholesaler is paid, say, $2 million in cash — normally in small bills — for a hypothetical shipment.

U.S. banks must report all cash deposits of more than $10,000 to the Treasury. That leaves a paper trail. To avoid that, the dealer arranges for the cash to be delivered to Panama.

The money usually is smuggled out of the United States, because anyone taking more than $10,000 out of the country must report it to U.S. Customs. The transaction is facilitated because Panama uses U.S. bills as its paper currency, although it calls them Balboas instead of dollars.

Once it arrives in Panama, the cash is taken by armored truck to a local bank and deposited in a prearranged, secret account. The local bank needs only a limited amount of cash for its daily use, so it delivers its surplus dollars to the Banco Nacional.

Since the Banco Nacional, too, cannot use the cash, it ships it to the U.S. Federal Reserve Bank. The records kept of those transactions indicate the sharp increase in the cash flow of Panama's banks.

Panama's legitimate annual cash need, according to the Treasury official, is about $100 million, the same amount the Federal Reserve delivered to Panama last year in fresh bills.

But last year, according to Treasury records, the Banco Nacional transferred $1.1 billion to the Federal Reserve.

Based on first-quarter records, this year's total will be $1.3 billion to $1.[illegible] billion. April's delivery to the Federal Reserve, ironically, was larger than in March — when the First Interamericas Bank was closed.

The trend is disheartening: In 1980, only $250 million was delivered to the Federal Reserve; in 1981, $593 million; in 1982, $1 billion; it dipped slightly in 1983, to $840 million, after the arrest of a major courier, Ramon Millan Rodriguez.

Most of the $4 billion-plus in cash that has flowed into the local banks since 1980 is believed to have come from narcotics wholesalers. It therefore represents an estimated $20 billion to [illegible] billion in retail narcotics sales in the United States, according to Treasury sources.

And that is just cash. It does not take into account the hundreds of millions of narcotics dollars that are transferred here by wire from other offshore banking centers.

"All of this has to be stopped," said Carlton Turner, the White House special assistant for drug-abuse policy. "The [illegible] who are laundering [illegible] probably more despicable than [illegible] dealer because the laundering affects all of us."

Citibank's Arosemena disagrees.

"It is very clear [illegible] to assist to help in stopping [illegible] proceeds of laundering," he [illegible].

"But it is [illegible] that the banks do not [illegible] shall the steps. Any agreement," Arosemena said, would have to be constructed so that "the [illegible] Panama is not weakened [illegible] other banking centers."

It is not just [illegible] dollars that worries [illegible] Panamanian bankers; it also is [illegible] psychological effect.

Shedding light, [illegible] slightly, on narcotics [illegible] transactions could have [illegible] — an [illegible]

(more)

FOCUS OF PROBE: The First Interamericas Bank in Panama City, Panama, owned by a Colombian narcotics trafficker under indictment in the United States, was shut down by Panama in March. The bank is the focus of a [illegible] money laundering investigation in New York.

He said that the bank then was transferred to a bearer corporation held by indicted Colombian narcotics dealer Gilberto Rodriguez Orejuela.

To be sure, only some of the local banks, and only some of the officers in them, routinely deal with narcotics cash.

In addition to the First Interamericas Bank, U.S. authorities point to several others.

Among them: the Banco Cafetero, whose special account in a New York bank was used by First Interamericas as part of its alleged laundering operation; the Banco de Iberoamerica, where Milian deposited much of his cash; the Banco Ganadero; the Banco Interoceanico de Panama; the Banco Real; the Banco de Colombia; and the Banco de Occidente.

American tax evader, a corrupt Bolivian public official or Israeli businessman forbidden from holding foreign accounts — worry that he, too, might get overexposed.

The United States, aware of these concerns, has a couple of trump cards for the negotiations.

Administration sources say that the government may not press for recovery of the illicit funds as it has in other criminal drug cases. Rather, those proceeds could go directly into the Panamanian treasury, which would be a windfall for a nation that has one of the world's highest per capita foreign debts — $3.7 billion — and a deeply troubled economy.

Consider the case of Ramon Milian Rodriguez. Acting on a tip from Panamanian authorities, U.S. officials arrested Milian at a Fort Lauderdale, Fla., airport on May 4, 1982 as he was ready to take off for Panama with $5.4 million in cash.

A federal indictment returned in Miami last year alleges that Milian, over an eight-month period in 1982 and 1983, made weekly and sometimes twice-weekly trips to Panama in his private Learjet and deposited $151 million in cash into local bank accounts that he had set up for dozens of clients.

That $151 million is nearly three times the $54 million in U.S. aid for budgetary support for Panama for fiscal 1985 and about a fourth of what Panama currently needs to service its debt.

The other U.S. trump card is a Supreme Court ruling last January that upheld a federal grand jury's subpoena served on the Miami branch of the Bank of Nova Scotia for records held by the bank's branches in the Bahamas and the Cayman Islands.

If the negotiations fail, according to sources, the Justice Department will execute more than 20 subpoenas for records in Panamanian banks with branches in the United States.

What makes Panama such a magnet for narcotics dollars is the anonymity of locally based corporations — there are 150,000 active ones on file — and the use of U.S. currency, as well as the tight secrecy of Panamanian banks and the fact that Colombia is accelerating its prosecution of narcotics agents.

Also, most of the narcotics wholesalers are Latin Americans who prefer Hispanic Panama to the decidedly Anglo Bahamas and Cayman Islands, or the Dutch Antilles.

For about $1,000, a local law firm will design a paper corporation or appoint nominee directors to conceal the identity of true owners.

Arosemena said that the Panama Banking Commission, which regulates the banks, for several years was unaware of who owned First Interamericas. Started in the 1970's by seven former officers of the Chase Manhattan Bank to deal mostly in trusts and commodities, the venture failed.

It not only is cash that gets brought into the country by narcotics traffickers. Over the past couple of years a new word has emerged in the drug enforcement [illegible] — the smurf.

The smurf is a middleman who, for a fee, takes a [illegible] amount of door cash, goes to several U.S. banks — and [illegible] several tellers at the same bank — and buys cashier's checks for less than $10,000 each. The checks are written out to fictitious [illegible].

This eliminates the need for bulky suitcases or boxes, making the money easier to [illegible] into Panama. And the [illegible] checks escape U.S. scrutiny [illegible] there is no system for [illegible] track of them when they are [illegible] to the United States.

A relaxation of the banks' tight secrecy laws clearly would cause ripples in the banking system. It also would run counter to a long tradition of [illegible] in the free market [illegible].

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REMARKS BY H.E. DOMINADOR KAISER BAZAN, AMBASSADOR OF PANAMA
AT THE WILSON CENTER, TUESDAY, APRIL 15, 1986

THE WILSON CENTER IS AN APPROPRIATE FORUM FOR PRESENTING POLITICAL ISSUES INVOLVING THE REALITIES OF PRESENT DAY PANAMA. PRESIDENT WILSON, A SCHOLAR AND POLITICIAN, APPROACHED POLITICAL QUESTIONS WITH RESPONSIBILITY AND A SENSE OF FAIRNESS. WE SHALL ATTEMPT TO FOLLOW SUCH A COURSE ON THIS OCCASION.

IT IS NOT UNCOMMON FOR POLITICAL ISSUES TO BE PRESENTED IN EMOTIONAL TERMS USING STRONG ADJECTIVES TO CREATE VIVID IMPRESSIONS. YET TO ACHIEVE A RESPONSIBLE REVIEW OF POLITICAL QUESTIONS, I BELIEVE ONE SHOULD APPROACH THE SUBJECT IN A DISPASSIONATE AND BALANCED MANNER TO PRODUCE A CREDIBLE AND IN-DEPTH UNDERSTANDING OF THE ISSUES.

TO ACHIEVE THIS WE CANNOT AFFORD THE USE OF STEREOTYPES OR ISOLATED CASES TO PROVE POINTS OR PROJECT CONSEQUENCES. A COMPREHENSIVE REVIEW OF THE FACTS AS A WHOLE, PLACED IN TIME AND IN CONTEXT, WILL GIVE US A TRUE MEASURE OF THE ISSUES AND THEIR CONSEQUENCES.

I BELIEVE THAT THE BROADENING OF PANAMA'S "MIDDLE CLASS", COUPLED WITH THE IMPROVED EDUCATIONAL LEVELS THROUGHOUT OUR COUNTRY, HAS MADE IT MANDATORY FOR US TO ADDRESS THE ISSUES IN PANAMA IN AN OBJECTIVE, SOBER AND RESPONSIBLE FASHION.

IN ORDER TO EXAMINE AND DISCUSS FUNDAMENTAL ISSUES IN SUCH A MANNER, ALL OF US SHOULD ABSTAIN FROM DWELLING IN THE PAST SINCE SOCIO-POLITICAL ISSUES ARE EVER CHANGING, AS ARE THE REALITIES WE LIVE FROM DAY TO DAY.

THE PEOPLE OF PANAMA ARE ONLY TOO CONSCIOUS OF THE DIFFICULT CONDITIONS WE ARE FACING TODAY. THEY KNOW, WE KNOW, THAT OUR DESTINY LIES IN DEMOCRATICALLY ELECTED CIVILIAN GOVERNMENTS THAT RELY ON CITIZEN INTERACTION. THEY ARE ALSO AWARE OF THE CYCLICAL UPS AND DOWNS OF OUR POLITICAL HISTORY, AND HAVE THE PATIENCE AND GOOD SENSE TO CONTINUE ON THEIR QUEST FOR A BETTER QUALITY OF LIFE, IN A PEACEFUL WAY. THEY RESPOND TO THE NATURAL LAW OF SELF-PRESERVATION BY WORKING AND SEEKING IMPROVEMENT WITHIN THE REALM OF ORGANIZED SOCIETY. THEY SHOW APPROVAL OR DISAPPROVAL THROUGH PEACEFUL MEANS, THEY DO NOT WASTE THEIR EFFORTS, OR THEIR LIVES, ON ADVENTUROUS SCHEMES THAT ARE CONTRARY TO THEIR COMMON SENSE AND COMMITTED PURPOSE IN LIFE.

THROUGHOUT OUR REPUBLICAN HISTORY, THE PLOY OF RATTLING THE VOTERS WITH ATTACKS ON THE TRADITIONAL WHIPPING BOYS, THE AMERICANS, THE CANAL AND U.S. MILITARY BASES AND THE MILITARY OF PANAMA, HAS BEEN AN INVETERATE TACTIC OF WHOMEVER WAS IN THE OPPOSITION AT A GIVEN TIME. THE ISSUE OF THE CANAL AND THE U.S. BASES HAS BEEN SIGNIFICANTLY LESSENED BY THE EFFECT OF THE TORRIJOS-CARTER TREATIES OF 1977.

THE AMERICANS ARE CHARGED IN SOME QUARTERS WITH MEDDLING IN OUR COUNTRY, BUT NOW THEY ARE ALSO INVITED TO DO SO BY SOME SECTORS OF THE OPPOSITION, WHICH ADDS A NEW AND PUZZLING TWIST TO THE PRACTICE. AS TO THE ISSUE OF THE MILITARY, A STRONGLY EMOTIONAL ATTITUDE SEEMS TO FORCE AN INDICTMENT AGAINST AN INSTITUTION ON THE BASIS OF ALLEGATIONS.

SUCH ATTITUDES WOULD SEEM TO REFLECT BACKWARD POLITICAL PROGRESS. OPPOSITION POLITICIANS IN OTHER LATIN AMERICAN COUNTRIES, UPON REACHING POWER THROUGH DEMOCRATIC ELECTIONS, RECOGNIZE THE PROPER PLACE OF THE MILITARY IN THE SOCIO-POLITICAL LIFE OF THE COUNTRY. I SUBMIT AN ILLUSTRATION: PRESIDENT VINIZIO CEREZO, OF GUATEMALA, STATED RECENTLY: "THE ARMY SHOULD BE INVOLVED IN THE SOCIAL PROGRESS, AND GUARANTEE THIS PROCESS IN THE INTERESTS OF THE PEOPLE . . . IT SHOULD BE COMMITTED TO THE GENERAL PROGRESS OF INSTITUTIONALITY IN THE COUNTRY."

PANAMA IS A YOUNG COUNTRY COMPARED TO MOST OF THE OTHER LATIN AMERICAN STATES. IT HAS ITS OWN HISTORY, THAT IS ESSENTIALLY UNIQUE. MANY ACCOMPLISHMENTS HAVE BEEN OFFSET IN PART BY POLITICAL RESTLESSNESS THAT MUST BE ATTRIBUTED TO VARIOUS CURRENTS OF THOUGHT THAT COMPETE FOR POWER. AN EVER PRESENT REALITY, THROUGHOUT, HAS BEEN THE PRESENCE OF A PUBLIC FORCE OF LAW AND ORDER WHICH ENCOMPASSES MILITARY DEFENSE AND POLICE WORK. THIS FORCE HAS BEEN AN INSTRUMENT OF CIVILIAN RULE AND, FOR SOME TEN YEARS AFTER 1968, WAS ALSO A DELIBERATING BODY WITH WIDE POWERS IN THE ACTIONS OF GOVERNMENT DIRECTED, FOR THE MOST PART, TO BETTER THE LOT OF LARGE SEGMENTS OF THE UNDERPRIVILEDGED.

OUR COUNTRY IS NOW INTO ITS NINTH DECADE OF EXISTENCE, AND ITS COMPLEXITY IN ALL RESPECTS, HAS BECOME ENORMOUS. IT HAS FOLLOWED A RAPID EVOLUTION AND UNDERGONE A GREAT NUMBER OF EXPERIENCES.

THE REPUBLICAN FORM OF GOVERNMENT HAS BEEN A TRADITION AND A DEDICATION FOR THE PANAMANIAN PEOPLE, IN SPITE OF THE FACT THAT THERE HAVE BEEN SEVERAL INTERLUDES, A KIND OF GROWING PAINS, THAT JOLTED THE PROJECTED, EVEN COURSE SET BY OUR FOUNDING FATHERS.

THESE INTERLUDES HAVE TAKEN VARIOUS FORMS THAT GO FROM POLITICAL ADJUSTMENTS TO COUPS D'ETAT, AND A LONG PERIOD OF REVOLUTIONARY EXPERIMENTATION. THESE SITUATIONS ARE REAL, HAVE HAPPENED, AND HAVE HAD CONSEQUENCES. DEFINITELY, THE POLITICAL TRAJECTORY OF PANAMA HAS NOT BEEN A SMOOTH ONE, BUT ONE THING IS CERTAIN: THE BASIC DEMOCRATIC PRINCIPLES AND IDEALS OF OUR PEOPLE HAVE ALWAYS SURVIVED, AND STILL CONSTITUTE THE ESSENCE OF OUR POLITICAL DEPORTMENT.

WITH THE SIGNING OF THE TREATIES OF 1977, PANAMA STARTED ON THE ROAD TO DEMOCRATIZATION. ON THAT YEAR, THE MILITARY PLEDGED A RETURN TO CIVILIAN, DEMOCRATIC INSTITUTIONS, WHICH INCLUDED THE CONDITIONS NECESSARY FOR POLITICAL INTERACTION, CIVIL LIBERTIES, FREE PRESS AND THE FORMATION OF POLITICAL PARTIES.

WE ARE NOW ON THE THRESHOLD OF ACCOMPLISHING THE PHASE OF THAT TRANSITION PERIOD THAT WAS OFFICIALLY INITIATED IN 1978 WITH ELECTIONS FOR REPRESENTATIVES. POLITICAL TIMIDITY AT THAT TIME DELAYED EFFECTIVE POLITICAL PARTICIPATION IN GOVERNMENT BY THE TRADITIONAL POLITICIANS THAT OPPOSED THE PREVAILING REGIME, BUT THE DOOR STILL REMAINED OPEN FOR THE REGISTRATION OF POLITICAL PARTIES THAT SUBSEQUENTLY PARTICIPATED IN THE 1980 ELECTIONS FOR LEGISLATIVE POSITIONS.

THE ELECTIONS IN 1984 PRODUCED A PRESIDENT AND TWO VICE-PRESIDENTS, 67 CONGRESSMEN AND 505 MUNICIPAL REPRESENTATIVES. IN ADDITION, 65 MAYORS WERE ELECTED IN AS MANY CITIES FOR THE FIRST TIME SINCE 1956.

IT IS IMPORTANT TO UNDERSTAND THAT MANY OF THESE POSITIONS ARE OCCUPIED BY MEMBERS OF THE OPPOSITION. CONSEQUENTLY, THERE IS A HEALTHY AND COMPREHENSIVE PUBLIC DEBATE OF ISSUES IN WHICH THE EXPRESSIONS OF ALL PARTIES COME TO BEAR.

IN THIS FASHION, THE STAGE WAS SET FOR POLITICAL RECOVERY THROUGH A GOVERNMENT THAT WOULD BE A SOLID BRIDGE, AN EFFECTIVE TRANSITION TO A CONTINUOUS DEMOCRATIC, REPUBLICAN WAY OF LIFE. THE SUCCESSION OF AN ELECTED VICE-PRESIDENT TO A PRESIDENT THAT HAD LOST THE NECESSARY POLITICAL SUPPORT, FOLLOWED ALONG CONSTITUTIONAL LINES AND HAVE CREATED A MANDATE WHICH HE IS DETERMINED TO CARRY OUT.

IT MAY BE OF INTEREST TO KNOW THAT THE REPUBLICAN PARTY, TO WHICH PRESIDENT DELVALLE AND I BELONG, CHOSE TO FORM PART OF THE COALITION OF PARTIES THAT CONSTITUTE THE PRESENT GOVERNMENT, BASED UPON THE PREMISE THAT IT WAS THE PATH TO DEMOCRATIC WAYS, AS WELL AS A MEANS OF CONTRIBUTING TO AN EFFECTIVE AND PROMPT TRANSITION TO CIVILIAN RULE.

SUCH ATTITUDE WAS BY NO MEANS A WHIMSICAL ONE; THE REPUBLICAN PARTY, TO WHICH WE BELONG, HAS FROM ITS INCEPTION, PARTICIPATED IN FOUR POLITICAL CAMPAIGNS AND WAS ON THE WINNING SIDE ON ALL OF THEM, EVEN THOUGH ON TWO OF THE CAMPAIGNS IT HAD LEFT THE GOVERNMENT TO JOIN THE OPPOSITION.

THE GOVERNMENT OF ERIC ARTURO DELVALLE HAS PLEDGED A RESPONSIBLE AND PURPOSEFUL APPROACH TO THE PROBLEMS THAT CONFRONT THE COUNTRY. THIS IS NOT JUST RHETORIC. THE PLEDGE IS BEING TRANSLATED INTO FACT WITH ENERGY AND DEDICATION.

IT IS A MATTER OF FACT THAT PRESIDENT DELVALLE WAS ENTRUSTED WITH A STAGNANT NATION WITH STRONG OBJECTIONS TO THE MANNER IN WHICH THE EXECUTIVE HAD HANDLED THE NEGOTIATIONS WITH CREDITOR INSTITUTIONS. THE PULSE OF THE NATION HAD ALL BUT CEASED, AND POLITICAL, SOCIAL AND ECONOMIC ACTIVITY SHOWED SYMPTOMS OF AN OMINOUS AND CRITICAL LETHARGY.

THE FIRST FEW MONTHS OF PRESIDENT DELVALLE'S TERM HAD TO BE DEDICATED TO RESTORE CONFIDENCE IN THE GOVERNMENT, AND, MOST IMPORTANT, TO CONSOLIDATE THE POLITICAL FORCES THAT CONFORM IT. THIS WAS NOT AN EASY TASK, BUT THE RESULTING EFFORTS HAVE BEEN REWARDING. CONCURRENTLY, A PROMPT SOLUTION TO FINANCING THE COUNTRY'S DEBT HAD TO BE SOUGHT. AN ECONOMIC PROGRAM THAT WAS POLITICALLY VIABLE IN THE FACE OF THE REALITIES OF THE COUNTRY WAS ELABORATED TO BE NEGOTIATED WITH THE CREDITOR INSTITUTIONS.

THROUGHOUT THIS EFFORT, IT WAS ESSENTIAL TO CONVEY TO ONE AND ALL, THAT THE PROJECTIONS OF THE ECONOMIC PROGRAM WERE DESIGNED TO ADDRESS BOTH THE IMMEDIATE SOLUTION OF THE FINANCIAL PROBLEM, AND THE LONG TERM GOALS OF ECONOMIC REACTIVATION OF THE COUNTRY. THE ENCOURAGING SIGNS OF ECONOMIC RECOVERY DETECTED IN THE EARLY PART OF 1986, ADDED TO THE MEASURES ENACTED, WILL PROVIDE A FRAMEWORK THAT SHOWS CLEAR SIGNS OF AN UPSWING AND A PROMISING FORECAST OF SUCCESS. FOR THE FIRST TIME IN MORE THAN A YEAR WE ARE SEEING A PERCEPTIBLE INCREASE IN SALES, CONSTRUCTION, BANK DEPOSITS, AND A SIGNIFICANT GROWTH IN THE VOLUME OF GOODS FLOWING THROUGH OUR COLON FREE ZONE TO WORLD MARKETS.

IT MUST BE STATED WITH SATISFACTION THAT THIS RETURN TO FISCAL RESPONSIBILITY WAS ACHIEVED BY THIS CIVILIAN GOVERNMENT WITHIN OUR CONSTITUTIONAL PROCEDURES.

THE GOVERNMENT OF PANAMA HAS EMERGED STRONGER BY THIS EXPERIENCE. IT HAD TO WITHSTAND ORGANIZED PROTESTS, STRIKES AND THE EXPECTED CRITICISM BY OPPOSITION PARTIES, BUT THERE IS A PERCEIVABLE CURRENT OF SUPPORT FOR OUR EFFORTS THROUGHOUT THE COUNTRY, AS WELL AS SIGNS OF OPTIMISM THAT HAD NOT BEEN IN EVIDENCE FOR SOME TIME.

IT SHOULD BE OF INTEREST TO KNOW, THAT THE ROLE OF THE DEFENSE FORCES HAS RECEDED AS CONFIDENCE IN THE ABILITY OF CIVILIANS TO RUN AND MANAGE THE AFFAIRS OF STATE GROWS IN A MANIFEST WAY. THIS CONFIDENCE IS ESSENTIAL FOR THE PROPER FUNCTIONING OF A GOVERNMENT IN A STABLE, DEMOCRATIC, OPEN MARKET SOCIETY. IT IS A SOLID ACCOMPLISHMENT AND A SIGN OF GOOD THINGS TO COME.

THE GOVERNMENT OF PRESIDENT DELVALLE HAS GIVEN THE HIGHEST PRIORITY TO THE STRENGTHENING OF THE COUNTRY'S DEMOCRATIC INSTITUTIONS. IT IMPLIES WIDE INVOLVEMENT OF THE CITIZENRY IN ALL MATTERS WHICH CONTRIBUTE TO THE PROCESS OF TAKING PANAMA ALONG THE PATH OF DEVELOPMENT. WE HAVE THE PEOPLE, THE KNOW HOW, THE INFRASTRUCTURE, AND THE RESOURCES TO FORGE AHEAD. WE HAVE A GOVERNMENT THAT ENCOURAGES INVESTMENT AND PRODUCTION. WE ARE OBTAINING, THROUGH A DELIBERATE PURPOSE, A SENSE OF PROPRIETY AND RECOGNITION THAT REINFORCES THE ACTION OF ALL PRODUCTIVE FORCES IN THE COUNTRY, AND THE CONSEQUENCES ARE EVIDENT. PANAMA IS ON THE MOVE AGAIN.

AN ESSENTIAL INGREDIENT FOR A COUNTRY'S ECONOMIC AND SOCIAL WELL-BEING IS TO FUNCTION IN A CLIMATE OF PEACE. IT IS PLAIN THAT PANAMA DOES NOT HAVE ANY ARMED UPRISING, NOR THE PRESENCE OR ACTIONS BY ANY GUERRILLA GROUP WHATSOEVER. THE COUNTRY IS RELATIVELY CALM, AND DEDICATED TO DAILY CHORES DESIGNED TO FULFILL EXPECTATIONS.

THERE IS FREEDOM OF SPEECH, FREEDOM OF THE PRESS, THE EXPRESSION OF THE THOUGHTS OF ALL CITIZENS CAN TAKE PLACE WITHOUT ANY FORM OF CENSORSHIP OR IMPEDENCE.

INDIVIDUAL RIGHTS ARE RESPECTED AND EXERTED FREELY WITHIN THE LAW. GRIEVANCES AND COMPLAINTS ARE RESOLVED EITHER BY MEANS OF DIALOGUE OR LEGAL RECOURSE.

IT IS IMPORTANT THAT THESE REALITIES OF PANAMA, IN THEIR FULLEST CONTEXT, BE WELL KNOWN IN THIS COUNTRY BECAUSE, AS SENATOR HELMS SAID A MONTH AGO, "THE POSITIVE INTERESTS OF THE UNITED STATES AND OF PANAMA ARE INEXTRICABLY INTERTWINED TO THE BENEFIT OF BOTH COUNTRIES. WE WANT TO DO EVERYTHING TO SEE THAT THOSE BENEFITS CONTINUE FOR EVERYONE."

AS MY COUNTRY'S AMBASSADOR TO THE UNITED STATES, I AM FULLY CONSCIOUS OF SUCH A SPECIAL RELATIONSHIP. DURING MY FIRST OFFICIAL MEETING WITH PRESIDENT REAGAN, I ASSURED HIM THAT PANAMA IS A COUNTRY DEDICATED TO PEACE AND DEMOCRATIC WAY OF LIFE, THAT OUR GOVERNMENT IS DETERMINED TO SOLVE OUR OWN PROBLEMS WITHIN THE REALITIES THAT WE LIVE. WE EXPECT THE ASSISTANCE OF THE GOVERNMENT OF THE UNITED STATES TO ACHIEVE OUR PURPOSES UNDER THE BEST OF CIRCUMSTANCES. WE AIM TO PRESERVE AND REAFFIRM THE BONDS OF FRIENDSHIP AND COOPERATION THAT HAVE EXISTED FOR A CENTURY BETWEEN OUR COUNTRIES.

I WAS REASSURED AND GRATIFIED UPON RECEIVING PRESIDENT REAGAN'S THOUGHTS: "I REALIZE THAT PANAMA IS PRESENTLY EXPERIENCING A PERIOD OF ECONOMIC DIFFICULTY. IT IS ENCOURAGING TO HEAR OF THE EFFORTS OF PRESIDENT DELVALLE AND HIS GOVERNMENT TO DEVELOP A PROGRAM OF REALISTIC REFORMS NOT ONLY TO WEATHER THE IMMEDIATE CRISIS BUT TO PROVIDE AN ECONOMICALLY SOUND BASIS FOR SUSTAINED GROWTH. WE WISH YOU SUCCESS IN THE TASK OF DEVELOPING THIS PROGRAM AND OF SECURING BROAD SUPPORT FOR IT. WE STAND READY TO ASSIST SOUND DEVELOPMENT PLANS, CONSCIOUS THAT PANAMA'S DESTINY IS PANAMA'S RESPONSIBILITY FIRST AND FOREMOST."

I SHOULD LIKE TO END MY REMARKS WITH A MOST SIGNIFICANT QUOTE FROM PRESIDENT DELVALLE IN HIS SPEECH TO THE PRESTIGIOUS COUNCIL ON FOREIGN RELATIONS IN NEW YORK CITY EARLY THIS MONTH:

"THE ELECTION PROCESS WHICH WILL START TWO YEARS FROM NOW, WILL AGAIN ALLOW THE PEOPLE OF PANAMA TO EXERCISE THEIR SOVEREIGN VOTING RIGHTS.

"TOWARD THIS GOAL, MY GOVERNMENT IS FIRMLY COMMITTED. TODAY, THE FUNDAMENTAL GOAL OF THE EXECUTIVE BRANCH, THE LEGISLATIVE ASSEMBLY, THE SUPREME COURT AND THE POLITICAL PARTIES IS TO STRENGTHEN THE DEMOCRATIC PROCESS AND MAINTAIN PANAMA'S POLITICAL STABILITY WITHIN A CIVILIAN ENVIRONMENT."

MAY I BE ALLOWED TO ADD THAT PRESIDENT DELVALLE, ON REPEATED OCCASIONS, HAS MADE A CALL TO ALL CITIZENS, INCLUDING OBVIOUSLY THE OPPOSTION PARTIES, TO ACT ON BEHALF OF THE BETTER INTERESTS OF PANAMA, AND HAS INVITED THEM TO JOIN IN THE STRENGTHENING OF OUR DEMOCRATIC INSTITUTIONS AND TO PARTICIPATE IN THE TASK OF GUIDING THE COUNTRY TOWARDS THE FULFILLMENT OF ITS PROMISE FOR A HIGHER QUALITY OF LIFE FOR ALL PANAMANIANS.

Responses of Ambler H. Moss, Jr. to Questions Asked by Senator Zorinsky

Question. What is the status of the opposition political parties in Panama? What steps would you consider necessary for the establishment of a genuine democracy there?

Answer. A number of opposition political parties exist in Panama, and a coalition of them presented a slate of candidates in the general elections of 1984. Some reports in the press indicate that certain opposition leaders consider that they are being harrassed by the government. Two steps would be necessary to achieve full evolution toward genuine political democracy in Panama. These are, most importantly, the cessation of the involvement of the military establishment in the politics of the country (a situation which has existed for decades) and the holding of free and fair elections when the term of the present President is over.

Question. In the past, several individuals in the Panamanian military have been implicated in drug trafficking. Do you think this is an individual problem, or a problem involving the military leadership in Panama?

Answer. I believe that drug trafficking, where it has existed, is an individual problem and is not institutionalized in the military leadership. When I was Ambassador to Panama (1978-1982) the cooperation of the Panamanian military with United States drug enforcement officials was very good, and I believe that cooperation with our agencies exists on a high level today.

Question. Panama's Foreign Minister recently complained to Secretary Shultz about remarks concerning human rights in Panama which Arthur Davis, our recently confirmed Ambassador to Panama, made during his confirmation hearing on February 19. What do you think our posture should be toward Panama with regard to human rights? How do you think it should affect our relationship with regard to the military? To the Canal? To the situation in Nicaragua?

Answer. I believe that the remarks made by Ambassador Arthur Davis during his confirmation hearing on February 19 fairly reflect the attitude toward human rights in Panama which has been held by both the Carter and Reagon administrations. The United States should, in my opinion, take a firm position with regard to human rights and evolution toward full political democracy in Panama as in other countries. If the military regard this as criticism or interference, they also do so in Chile, as they did in Argentina and elsewhere where we have critized human rights abuses. Taking such a position with regards to human rights will not, in my opinion, affect the relationship we have with Panama regarding the Panama Canal. That is an excellent working relationship and has led to efficient Canal management based on a high level of cooperation and professionalism. Nor will taking a position on human rights bear directly to Panama's position relative to the situation in Nicaragua, except to demonstrate that the United States is even-handed and consistent in applying the same standards to different types of regimes.

Question. What economic role is played by the military, and by General Noriega, in Panamanian life?

Answer. It appears that the Panamanian military are playing an increasing role in the economic life of the country, as exemplified by their control of civil aviation and the ports. They do not control large state enterprises, however, as has been the case in other Latin American countries such as Argentina. Although it is widely believed that General Noriega and other military officers are owners of various business enterprises, I have not seen any direct evidence of this.

Question. What is the relationship between the United States and the Panamanian military? Should the United States voice concern regarding the political role of the military?

Answer. The relationship between the United States and the Panamanian military was distant during the years leading up to the signature and ratification of the Panama Canal treaties. Beginning with that time, around 1978, the relationship grew much closer. When the Sandinistas took over in Nicaragua, in 1979, the Panamanian military, concerned by events in that country, began a period of much closer relations with the United States forces and began to engage regularly in joint exercises with them. In my opinion, it is proper and desirable for the United States to voice concern regarding the political role of the military. To do so would be consistent with our promotion of democratization in Latin America and would also be speaking out against a political phenomenon which we regard as potentially destabilizing to the country.

Question. How does the U.S. military Southern Command work with the Panamanian military?

Answer. Although I left Panama in 1982, my impression is that the U.S. Southern Command has continued to work closely with the Panamanian military, engaging with them in joint training exercises and taking a far greater interest in force development than was the case in the late 1970s.

Question. What is the relationship of the PDF and the U.S. military with regard to the defense of the Panama Canal?

Answer. Since the entry into force of the Panama Canal Treaties, both countries have been cognizant of the gap which exists between the present state of capabilities of the PDF and the task of defending the Panama Canal by the year 2000. During the late 1970s and early 1980s, however, progress in working toward that objective began to take place, although after a slow start. In my opinion, the PDF takes seriously the eventual need to develop greater capabilities to defend the Canal and will plan to do so in time.

Question. How has the present government responded to the pressures from the IMF and the World Bank, for economic reforms?

Answer. The government of Nicolas Ardito Barletta, which was overthrown last September, responded poitively to the pressures from IMF and the World Bank for the economic reforms necessary to achieve the conditions required under the structural adjustment loan of the World Bank. President Barletta also believed in the necessity for these reforms. The successor government of President Eric Arturo Delvalle has also responded positively by enacting, last month, the two critical pieces of legislation called for by the international financial institutions, namely reform of the labor law and reduction of the protectionist measures afforded to some Panamanian industries. It did so, of course, at great political cost including a general strike and a number of days of disturbances in the streets. On a broader basis, however, President Ardito Barletta and other Panamanians have been highly critical of the extreme measures of austerity prescribed by the international financial institutions. As Barletta told the Southern Governors' conference last September- Latin American economies are being held to a zero growth rate because of the necessity to service debt. That fact, plus the restriction of furhter credit, creates a highly dangerous situation in all of Latin America, because the price of having a zero growth rate may be political and social instability.

Question. Do you have an assessment on the present government's response to the United States regarding the issue of narcotics trafficking?

Answer. I do not have an assessment on the performance of the present government in assisting the United States to interdict in narcotics trafficking. Prior to my departure from Panama in August 1982, however, Panama's record of cooperation iwht the United States was very good.

Responses of Norman A. Bailey to Questions Asked by Senator Zorinsky

Question. Do you consider the Panamanian military to have strong popular support in Panama?

Answer. No.

Question. What is the status of the opposition political parties in Panama? What steps would you consider necessary for the establishment of a genuine democracy there?

Answer. They exist and are permitted to operate. They are not permitted to win important elections. The situation is similar to that in Mexico. Barletta should be restored to the Presidency under an agreement with Arnulfo Arias, with new elections called in a year or so.

Question. How does the Panamanian banking system participate in the laundering of currency involved in drug trafficking?

Answer. For all practical purposes there are no controls at all on the banking system. Financing of the drug traffic, drug profits and drug payoffs (including to the PDF) are processed through the banks.

Question. In the past, several individuals in the Panamanian military have been implicated in drug trafficking. Do you think this is an individual problem, or a problem involving the military leadership in Panama?

Answer. It is a problem endemic in the PDF, which is not to say that every single officer is involved.

Question. Panama's Foreign Minister recently complained to Secretary Shultz about remarks concerning human rights in Panama which Arthur Davis, our recently confirmed Ambassador to Panama, made during his confirmation hearing on February 19. What do you think our posture should be toward Panama with regard to human rights? How do you think it should affect our relationship with regard to the military? To the Canal? To the situation in Nicaragua?

Answer. Our posture towards human rights in Panama should be the same as it is everywhere else: we expect them to be observed and respected. The PDF is the only violator of human rights in Panama. In case of emergency we can seize control of the Canal. We should not allow ourselves to be blackmailed with the Canal. Noriega and other PDF officers visit Managua and Havana frequently. It must be suspected that their visits have to do with the drugs-for-arms aspects of the alliance of convenience between narco-traffickers and radicals.

Question. What economic role is played by the military, and by General Noriega, in Panamanian life?

Answer. Central, especially now that the PDF has seized control of the parts, airports, railway, customs and immigration.

Question. Prior to Dr. Barletta's resignation, what was the extent of your relationship with him and/or his government?

Answer. I had known Dr. Barletta (who did not, incidentally, resign) for 3-4 years as Vice President for Latin America of the World Bank. With his government, none.

Question. Were you attempting to negotiate a contract with his government to act for Panama in the United States?

Answer. Yes.

Question. Were you awarded the contract?

Answer. No.

Responses of Richard L. Millett to Questions Asked by Senator Zorinsky

1. Do you consider the Panamanian military to have strong popular support in Panama?/ As I mentioned in my testimony, the Panama Defense Force (PDF) is a combined police and military force. This means that it is subject not only to the usual resentments focused on a military institution which involves itself in politics, but also receives the hostility directed by segments of the population toward the police. I would judge overall popularity as rather low. There is a residue of good will from the Torrijos era and the PDF's civic action programs have aided its image in some rural areas. But this is more than balanced by negative reactions to other aspects of its current functions.

2. What is the status of opposition political parties in Panama? What steps would you consider necessary for the establishment of a genuine democracy there?/ There are numerous functioning, legal opposition parties in Panama including the Panamanista Party of Arnulfo Arias, the Christian Democrats, and numerous small parties on the left. While they frequently complain of government harrassment, they function openly and hold seats in the Congress.

Development of a genuine democracy in Panama would require a decision by the military to accept the results of an open election and a clear division between the military and the official Revolutionary Democratic Party (PRD). It would also help if the moderate democratic opposition could unite, and if there could be greater media freedom and diversity. One basic prerequisite would be the belief by the PDF that their institutional autonomy would not be threatened by movement towards a more democratic system.

3. In the past, several individuals in the Panamanian military have been implicated in drug trafficking. Do you think this is an individual problem or a problem involving the military leadership in Panama?/ I do not believe this is an either/or situation. There are elements of truth in both statements. But what we, as Americans, must keep constantly in mind is that it is our money, our consumption which fuels this traffic. When such a huge amount of money is available the corrupting effect in unavoidable. Panama is hardly unique in this regard. The majority of the nations of the Western Hemisphere have or have recently had serious problems of official corruption connected with the drug traffic.

4. Panama's Foreign Minister recently complained to Secretary Shultz about remarks concerning human rights in Panama made by Ambassador Arthur Davis. What do you think our posture should be toward Panama with regard to human rights? How do you think it should affect our relationship with regard to the military? To the Canal? To the situation in Nicaragua?/ I do not believe we should treat Panama any differently in the area of human rights than we treat other nations of the Western Hemisphere. There are

human rights problems in Panama, but these are less than those in many other nations such as Chile, El Salvador, Nicaragua, or Suriname. In dealing with the military in this area we must stress the impact which a negative human rights image has on the PDF's relationship with the Panamanian people, on its international image and, ultimately, on its ability to carry out its treaty obligations to defend the Canal. Obviously, should a climate of greater human rights abuses develop in Panama, this could easily evolve into a threat to the Canal and, under the Carter-Torrijos Treaties, this is an area of legitimate concern for us. The only relationship I see between human rights in Panama and Nicaragua is the unfortunate tendency to downplay violations in an effort to make Nicaragua look even worse by contrast to the rest of the region.

5. What economic role is played by the military and by General Noriega in Panamanian life?/ I have no significant firsthand information on this subject.

6. What is the relationship between the United States and the Panamanian military? Should the United States voice concern regarding the political role of the miltiary?/ The United States provides training, and military assistance to the PDF under the terms of the Carter-Torrijos Treaties. We have a special interest in improving the PDF's capacity to undertake the defense of the Canal. Joint manuevers are conducted regularly, numerous Panamanian officers and enlisted personnel are trained in U.S. military schools and the Military Assistance Group has placed special emphasis on assisting in the civic action projects of the PDF. There has been a fairly good working relationship established, though Panamanian sensitivities remain high due both to past history and to current political problems. We do voice concerns about the political role of the military, concerns which were greatly amplified following the ouster of President Barletta. The problem is how to translate these concerns into a policy which produces changes in the PDF. To date, our record in this area has not been particularly good.

7. How does the U.S. military Southern Command work with the Panamanian military?/ The prime responsibility for dealings with the Panamanian military is not SOUTHCOM's, but is that of the U.S. Military Assistance Group, attached to the embassy. Panamanian officers are regularly invited to SOUTHCOM functions and all recent commanders of SOUTHCOM have sought to maintain close contacts with the Panamanian military, but they do not provide our primary point of contact. Some activites run out of SOUTHCOM, notably those relating to our use of the military in Central America, have aroused opposition from the Panamanians. SOUTHCOM also had to deal with the PDF in the unsuccessful negotiations to retain the U.S. Army School of the Americas in Panama, but, officially at least, these negotiations were with the civilian government of Panama.

8. Many in the opposition have alleged that the PDF played a role in the murder of Dr. Hugo Spadafora.. What role did the military have in the events which followed the murder, especially with regard to the investigation?/ Again, since the PDF is also the police, they were in charge of the official investigation. The results of their investigation did not satisfy wide sectors of Panamanian opinion and there were demands for an independent investigation. This suggestion, the PDF strongly opposes. At the least, such a proposal implies a lack of confidence in the ability and/or integrity of PDF investigators, beyond that lies the still unresolved question of PDF involvement in the Spadafora killing. For some within the PDF, the effort is viewed as part of an opposition political attack on the institution as a whole. There are also reasons for seeing it as part of an effort to undermine General Noriega. Barring a complete change in the PDF's leadership and in its relation to political forces in Panama, the military will undoubtedly continue to block further official investigation of this case.

Responses of Adelaide Eisenmann to Questions Asked by Senator Zorinsky

1. What is the status of the Opposition political parties in Panama?

The strongest opposition political party is the "Panamenista Autentico" led by Dr. Arnulfo Arias, three times President of the Republic and three times deposed by the Military, the last time eleven days into his Term of Office. Dr. Arias, a Harvard trained medical Doctor, is now 86 years old. His politics are considered right of center and nationalistic. He is widely considered to have won the 1984 Elections in which the Military's imposed candidate, Dr. Nicolas Ardito Barletta, was fraudulently declared the winner. Dr. Barletta was deposed by the same military that imposed him, 11 months into his 5-year term.

The centrist "Christian Democratic Party" led by Dr. Ricardo Arias Calderon (no kin to Dr. Arnulfo Arias) is well organized and the most active of the Opposition parties, but still relatively small in its electoral following.

The "Movimiento Liberal Republicano Nacionalista" ("MOLIRENA") is a coming together of splinter groups of the traditionally right of center "Liberal", "Republicano" and "Tercer Partido" parties. The Party's President is Alfredo Ramirez, but it has no single personalistic leader. Dr. Mario Galindo, a lawyer from the younger leadership, was a presidential hopeful in the 1983 pre-electoral maneuvering.

The "Partido Liberal Autentico" led by Dr. Arnulfo Escalona Rios is one of Panama's oldest traditional parties. Through political chicanery a small splinter group sided with the Regime and took with it the official legal recognition, forcing the party's candidates to nomination under the Panamenista Autentico's label in the '84 Elections.

The "Partido Social Democrata" (social democratic) is a splinter group of the PAPO Party now in formation, which also nominated its candidates under the Panamenista label.

The above Parties:

- Panamenista Autentico - Partido Democrata Cristiano
- MOLIRENA - Liberal Autentico (in formation) and the Social Democrata (in formation),

created an Opposition Coalition to participate in the 1984 Elections, with the following slate:

Dr. Arnulfo Arias - for President
Mr. Carlos Rodriguez - for First Vice-President
Dr. Ricardo Arias Calderon - for Second Vice-Pres.

This Coalition, which is still in force, has the majority representation of the Opposition and takes the position that it won the 1984 Elections and should conform the legitimate government of the Republic.

Other small Opposition Parties, such as "Accion Popular", social democratic, led by Carlos Ivan Zuniga and an assortment of extreme leftist parties that did not achieve the minimum votes required to maintain their official status are now making an effort to officially reinstitute their groups.

1A. What steps would you consider necessary for the establishment of genuine Democracy there?

Various formulas are constantly examined. One such formula is a recount of the 1984 election results, which has a precedent in Panamanian history. Another is a Council of outstanding citizens whlich would call for elections for a Constituent Assembly, and a third option would be a new presidential election. In order that any of these options be effective there must be the establishment of a level playing field through the real elimination of U.S. military support of the Dictatorship and the elimination of the lid on the information held by the U.S. on corruption and drug activities of high-level Panamanian military officials.

2. In the past, several individuals in the Panamanian military have been implicated in drug trafficking. Do you think this is an individual problem, or a problem involving the military leadership in Panama?

This is an institutional problem involving the military leadership in Panama. In addition, the military has recently taken direct control of all important functions required for this activity, such as: ports, airports, immigration, national borders, etc., thereby reinforcing and institutionalizing the drug and drug related corruption system.

3. Panama's Foreign Minister recently complained to Secretary Shultz about remarks concerning human rights in Panama which Arthur Davis, our recently confirmed Ambassador to Panama, made during his Confirmation Hearing on February 19. What do you think our posture should be toward Panama with regard to human rights? How do you think it should affect our relationship with regard to the military? To the Canal? To the situation in Nicaragua?

Human Rights concerns should be constantly pressed by the U.S. as it does in many other countries. This position will naturally initially strain the relationship with the military as they are the abusers of human rights, but once they understand that the U.S. has a consistent policy on denouncing human rights abuses, they will be forced to adjust their actions.

With regards to the Canal there will be no effect and the U.S. military should constantly press the world's perception that Canal defenses can only be carried out by a professional Panamanian military not involved in politics and human rights abuses, as we look towards the year 2000 transfer.

The situation in Nicaragua does not need to be affected by the U.S. taking a strong human rights position in Panama.

4. Many in the Opposition have alleged that the PDF played a role in the murder of Dr. Hugo Spadafora. What role did the military have in the events which followed the murder, especially with regard to the investigation?

The military forced the resignation of Dr. Ardito Barletta when he was to name an independent Inquiry into the Spadafora murder and forced the immediate legal closing of the case in the Courts, later rewarding the involved Judiciary Officials with Supreme Court appointments.

5. We would appreciate if you would comment on allegations that Dr. Spadafora travelled to the Middle East in 1980 and met with Arafat and Khadaffi requesting financial support for his activities in Central America. Do you know anything about his visit? Do you know what he was planning to do with the money?

Dr. Winston Spadafora, the spokesman for the Spadafora family, has made the following statement: "In January 1980, - 6 months after Somoza's fall - Hugo Spadafora, accompanied by Rodolfo Miguel Espino, brother-in-law of Gen Torrijos, the dictator of Panama at that time, travelled to Lebanon by invitation of PLO and had an interview with Arafat. There are a series of articles written by Dr. Spadafora, published in "YA" on March 21, March 28 and May 9, 1980, in which he explained the motives for this trip, which had nothing to do with financial help for his Central American activities as in those days he was no longer active in the area. He expressed in these articles "let us start by underlining the fact that the Palestine problem is a matter that for years has been a fuse that could detonate World War III". He never met Khadaffi."

6. Can you respond to allegations that Dr. Spadafora was involved in supplying anti-Sandinista Indians with weapons?

Dr. Winston Spadafora, the spokesman for the Spadafora family, has stated: "As far as I know, Hugo Spadafora never supplied the Indians with arms. He joined the Indians and was with them for months as a combatant, not as an arms supplier."

7. How do you respond to the Panamanian Attorney General's report stating the legal justification for not establishing an independent commission to investigate the death of Dr. Spadafora?

It was simply a legalistic excuse to avoid the issue. Many prestigious jurists in Panama expressed contrary opinions, stating that it was legally acceptable to name an independent inquiry.

WILSON CENTER TALK - April 15, 1968
by I. Roberto Eisenmann, Jr.

Title: "The Gathering Storm in Panama"

I must start by thanking the Wilson Center for inviting me to speak to you tonight. Although I have spent the last 8 months in Academia, this will not be a cold academic analysis of the situation in the Republic of Panama. I am one of the many actors in that drama, and thus I hope to be provocative in my advocacy of our cause for legitimate democracy. For those of us dedicated to the non-violent struggle against prolonged authoritarian regimes, achieving international recognition and visibility for our cause is most difficult and most important. Access to a prestigious forum and an informed and influential audience such as this is, in itself, one of the many advances necessary in our effort to dislodge a military regime frozen into power 18 years ago in my beloved homeland, the Republic of Panama. For this reason I appreciate your mere presence and thank you in advance for your understanding and, hopefully, your concern and empathy.

I also want to express my appreciation for the presence of my respected commentators. Ambassador Bazan is a longtime friend. This will be the first time that we have ever been on different sides of an issue. I am sure that we both remain loyal to the same objectives for our Country, differing in the methods of achieving those objectives. He will be a formidable opponent and I thank him for being here. The presence of Ambassador Briggs is also greatly appreciated. Our newspaper is an acid critic of the U. S. support for the Panamanian military regime. Ambassador Briggs handled our criticism with tolerance and was always respectful and openly supportive of the democratic principle of a free and independent press, represented by La Prensa in Panama.

–Recently, the world watched in wonder and amazement, from the living room, as a non-violent democratic revolution unfolded in the Philippine Islands. It was everything we ever dreamed of. The media coverage made it "our" revolution. People power not only carried the Islands but also the United States. A well informed U.S. public opinion literally carried policymakers and made foreign policy. It was an inspiration to all freedom-loving people of the world. The Philippinos achieved the impossible. Now, as they face the possible, success might become even more difficult to achieve.

As a result, polititians of every ideological color hasten to jump on the victory wagon and "use" the Philippine Revolution for advocating other issues and movements. Many of these utilizations have been wrong, but in other cases the parallels are outstanding and make for easier understanding and analysis. I will argue that this is the case in the Republic of Panama.

But as I make my arguments on Panama- a specific case- I hope to weave the threads of questions and answers to three broader and more important issues that make up the fabric of the challenge facing us all.

> Is it possible, as occurred in the Philippines, for all oppressed people to confront dictatorship with confidence?
>
> Is it possible for the United States to formulate a clear, non-ideological, foreign policy on dictatorship?
>
> Is it possible for the United States to recapture its revolutionary

> constituency in the world? If so, will the U.S. evolve from the world power of the political status quo to the revolutionary democratic world power?

Having set the general stage, allow me to return to the specific.

The last time Panama was on the U.S. agenda it was treaty time, in 1979. On the right there were screams of "They are giving away the Panama Canal". On the liberal side, the argument was "Panama is a time bomb. We must prove to the world that we can negotiate as equals with one of the smallest countries in the world". From the perspective of a democratic Panamanian such as myself, both sides were wrong. We felt insulted in our national dignity. There was no time bomb, there was no giveaway,...and the U.S., through a supported dictatorship, achieved a Treaty that no democratically elected government in Panama would ever have approved. As a result, we remain insulted in our national dignity both by the Treaty, by the way it was ratified in Panama, and by the prolonged oppression we suffer as a consequence. But, this subject would take us backwards...and we must go forward.

Due to that U.S. supported Dictatorship still in power, in my view, Panama today is a time bomb of more serious consequences. There is a definite storm gathering which will put Panama back on the International agenda. In order to fully describe the ticking time bomb I see in my country, I must run through a capsule history of the Panamanian Government.

> The regime came to power in the year 1968 through a military coup against a popularly elected President, 11 days into his term.
>
> Full U.S. support was immediate. The regime received the highest U. S. per capita aid in the world (exc. Israel and Costa Rica).

Treaty negotiations were proposed by the U.S. 60 days after the coup took place. Previous democratic Panamanian Governments had been unsuccessful in getting the U.S. to seriously commit to reasonable negotiations.

A unique factor: After harsh repression of the left, the Regime signed an alliance with the Moscow-dominated communist party, following the Batista tradition in Cuba.

The U.S. provided the money - the Left provided a progressive image. For Cuba, Panama offered an economic by-pass of the U.S. blockade in exchange for no insurgency efforts in Panama.

The Regime has disappeared, murdered and exiled its enemies, taking care not to ever have political prisoners. The numbers are not comparable to the horrors of Argentina, but I submit that human rights violations should not depend on accounting of numbers in order to receive international attention.

The Panama Canal Treaties are signed in 1979.
As part of the Treaties - the Regime informally agreed to an "Apertura Democratica" (democratic opening), a return of exiles and a democratic facade. This was necessary to cleanse the image of the Dictatorship in order to secure Senate passage of the Treaty.

La Prensa squeezes in through the cracks of the "Apertura". With 700 shareholders - the democratic community gave itself its free press. La Prensa has suffered physical attacks, jail sentences for its editors, beatings for its journalists, and physical takeover and destruction of equipment by the Panamanian Defense Forces (PDF), plus other forms of harassment, but in five short years has become Panama's newspaper of record.

Torrijos, the Panama dictator, is killed in a plane crash in 1981. Following three changes, General Manuel A. Noriega is now in charge of the Panamanian Defense Forces.

Corruption and extreme ostentation is rampant. High Panamanian Defense Force Officers seem to make Swiss trips bi-weekly.

In 1984 the regime allows a Presidential election. In a paternalistic manner, the U.S. Government and the Panamanian military joint venture and choose a "good man" for our Presidency. Although it was announced as a transition to democracy, in essence it was to be a change so that nothing changed. Barletta lost the election, but was declared the winner. Washington accepted that his legitimacy was in question, but hoped that his qualities as a "good man" would achieve the transition.

A dramatic turning point occurs in late 1985. A Noriega critic, Hugo Spadafora, is murdered and beheaded, a violent act never experienced in Panama. President Barletta, in answer to the general outcry, is tempted to name an independent inquiry into the Spadafora murder. As a consequence, he is forced to resign by the military, in what was perceived as confirmation of military involvement in the Spadafora case. With the Barletta resignation, the military have "assigned" and "resigned" five civilian Presidents in three years. A U. S. newsman rightly called Panama's Presidents the "Kleenex Presidents" - to be used and thrown away.

The Panamanian military, due to their absolute power have become absolutely corrupt, converting a soldiers' institution into a virtual gang. But, instead of dark topcoats and Borsalino hats, they wear U. S. Army uniforms............with a different shoulder patch.

The economy, due mainly to the unpredictable political system, is in its fourth year of stagnation. It is brain dead.

Extreme social pressures are being felt. Unemployment is 15% with dangerous urban pockets of up to 25%. A church related study shows 38% of the population below the poverty line.

Total public debt is $4.7 billion, one of the highest per capita in the region.

Frustration after electoral fraud and the Spadafora murder is at a breaking point, especially among youth.

In conclusion, I predict that the present political structure, which is totally exausted and lacks a national project, has a maximum life of 6 to 12 months. Political predictions are risky, but I have been close before. Thirty days before his inauguration I predicted Barletta would last but 18 months; he was forced to resign 11 months into his 5 year term. I made similar predictions for the De la Espriella and Royo presidencies.

I have two background pieces on Panama. The first has some general facts, which start with a bibliography of recent editorials and stories which appeared in U.S. newspapers and magazines. A simple run through the titles of these pieces gives us a general feeling of the looming crisis. The second background piece describes what I believe to be the parallels and differences of the situation in Panama and that in the Philippines.

THE PHILIPPINES	THE REPUBLIC OF PANAMA
Parallels	
- 20 year-old prolonged military regime.	- 18 year-old prolonged military regime.
- Extreme corruption.	- Extreme corruption. The Panamanian regime has been called an authoritarian kleptocracy.
- U.S. military presence over-powering.	- U.S. Military presence over-powering. U.S. Southern Command located in Panama.
- Massive U.S. support to the dictatorship.	- Massive U.S. support to the dictatorship.
- Crippled economy and fiscal mess.	- Crippled economy and fiscal mess.
- Large proportion of aid went to Swiss bank accounts.	- Large proportion of aid goes to Swiss bank accounts. Five cases uncovered by La Prensa add up to $248 million.
- Widespread poverty and social pressures.	- Widespread poverty and social pressures.
- U.S. inspired elections.	- U.S. inspired elections 1984.

	Government candidate was a joint U.S.-Panamanian military "project".
- Loser of elections declared winner through fraud.	- Loser of elections declared winner through fraud.
- Opposition moderate and pro-U.S.	- Opposition moderate and pro-U.S.
- Aquino murder triggered change	- Spadafora beheading raises large public outcry and triggers military forcing resignation of Barletta, 5th President in three years.

Differences

- Massive U.S. media coverage.	- Relatively light U.S. media coverage.
- U.S. pressured for democratic change.	- U.S. supported military candidate; Reagan congratulates Barletta before he receives official credentials.
- United Opposition Front, inspired by Aquino and change in U.S. position, fights for its legitimate rights.	- Opposition, drainced by over-powering U.S. support for dictatorship, gives up after a few weeks of repression, and state inspired terrorism.
- Major communist insurgency.	- No major violent insurgency yet.
- Drug corruption was not major issue.	- Conventional wisdom is that military corruption includes drug and drug-related money laundering activities.
- Church leadership took strong and clear position for democracy and against human rights abuses.	- Church leadership is on the fence. When pressured into pro-democratic position it

	immediately "balances" with statements critical of the opposition. It's criticism of human rights abuses is neither persistent nor effective.
- Phillippines is 15 hours flying time from U.S. U.S. military bases are important but not vital.	- Panama is 2-1/2 hours flying time from the U.S. Panama is in the american backyard. The Panama Canal is perceived by the U.S. as imperative to its strategic military interest.
- Phillipines joins the non-violent democratic world-wide trend.	- Panama is an anomaly in the world-wide non-violent democratic trend. The U.S. continues to support dictatorship, albeit with some nominal signals of distancing.

The gathering storm can be clearly seen. The risks of maintaining the status quo are obviously higher than the risks of a return to competitive democracy. I must be candid and say that today it is not clear who will be Panama's Corazon Aquino. The Panamanian political opposition must project itself as a viable and real alternative to the regime. Democracy cannot continue to be merely an aspiration. The entrenched military will not give up power unless they are forced to do so. Democratic Panamanians, both political opponents and independents must and will mobilize. As Edgardo Boeninger wrote in Foreign Affairs recently in his article titled "The Chilean Road to Democracy", the choice between the so called "transitions", "evolutions", "negotiations" and social mobilization is a false one. Without negotiations there can be no democratic outcome, but there will be no negotiation with the military-the government- without broad, resolute and persistent social pressure. Power concedes nothing without demand: it never has and it never will. Consequently, the challenge for the Panamanian political opposition is to generate peaceful social pressure under the leadership of moderate sectors, so as to unite the will of the working and middle classes around the demand for democracy. At times the facts with regards to the political opposition are bleak but they are balanced by the increased conciousness and militancy of both the independent and professional groups. Talking to an exiled Philippino Senator at Harvard just months ago, he was very skeptical as he described the probable results of a possible snap Election which was then only an idea being floated by the U. S.. The Opposition was split, he said to me. They only had the emotion of the Aquino name, as she had no experience or desire for politics. It was a tragic situation as he described it..................., but a few months later he was back home celebrating with President Aquino.

Weaving back to the more general questions. Yes, I feel it is possible for all oppressed people to confront dictatorship with confidence. When you are committed to non-violent action, as we are, your victories are not body counts but psychological, political, social and economic factors. We learn to face the facts, while still preserving the faith. Our democratic convictions must weigh more than our interests. It is obviously a test of faith to battle as we have, for 18 years, while being harassed and opposed by the dictatorship, by the Communists, and by the United States Government at the same time. But the faith of democratic conviction is the belief that one can achieve the apparently impossible. The housewife dressed in yellow of the Philippine Islands is the dramatic example which proves that victory is possible and worth the continuing struggle.

I am hopeful that in Panama the U.S. position will evolve from a nominal distancing from the military to allowing the Panamanian democrats a level playing field. It can do so by drastically reducing military aid to our Defense Forces as long as they insist on an unprofessional political role; by taking the lid off the corruption and drug information file; by exerting pressure for a full guarantee of respect for human rights, and by clearly stating the need for legitimate democracy in the Republic of Panama.

The argument that authoritarianism is more efficient than freedom might have served the short term U.S. interest during the Canal Treaty period, but can now boomerang. Borrowing from A. M. Rosenthal's recent New York Times article on tyrants, we say:

> The free people of these United States have no right to choose tyranny for the Panamanian people. People who live in freedom have no right to ask other human beings to be patient and to wait for it.

My words might sound as if the Democratic evolution or revolution of the Republic of Panama is dependent on Washington. Nothing is farther from the truth. As Golda Meir once said for Israel, we say for Panama: we have fought, we will fight for Democracy in Panama, and we will continue fighting - in our case our non-violent battles -. Washington cannot decide on whether we fight or we don't fight.........but simply who will win the fight........the Democrats or the Autocrats.

As to the possibility of the U.S. formulating a clear, non-ideological, foreign policy on dictatorship, let us again borrow from Rosenthal and state clearly that the enemy of freedom is dictatorship, be it left or right. The U.S. should make it plain to oppressors and oppressed that it draws a moral and judgemental political line between its position and that of the tyrants. There is no reason at all to be forced to choose between left or right authoritarianism as so many on the liberal left do. There is no reason to allow anti-Communism to become a rationale for the support of right-wing dictatorship as so many on the conservative side do.

And, borrowing from another American, Charles Krauthammer, writing in "Time", the U.S. might create a Third Force Doctrine through the right combination of incentives and sanctions, to help build and support the middle democratic, third way between the "friendly" despot and the communist insurgency. Had this doctrine been in place years ago Iran and Nicaragua would today be different ....more like the Philippines.

In its superpower confrontation or relationship the U.S. has the possibility of recapturing the revolutionary label and constituency away from the Soviets. There is no idea more revolutionary than that of legitimate democracy, and there are no more reliable allies for the U.S. than democracies, no matter how independent from American policy they might be.

A few words about the East-West confrontation in our small nations. We wish to avoid violent Super Power confrontation, direct or by proxy, in our countries. When two elephants battle the only certainty is that the grass will suffer......and we, the people of the small countries,... are the grass.

Dictators and despots are the best recruiters for communist insurgencies and totalitarian regimes. Legitimate democracies... in time.... are the only immune systems that prevent the unwanted battle of the elephants.

Finally, I feel that if the U.S. Government is to represent the will of the American people, it will make the clear choice against dictatorship in Panama and in other oppressed countries because, after living this year in the U.S., I feel, as does Krauthammer, that the individual American does feel and care about Democracy, not just within his shores............... but for all humankind

Thank you.